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Competitive Position  
of United States  
Farm Products Abroad  
1958





# FOREWORD

This publication, "The Competitive Position of United States Farm Products Abroad, 1958," summarizes the restrictions, obstacles, and other problems that the United States currently faces in exporting its farm products. It is the third such annual report published by the Foreign Agricultural Service.

The first section of the publication covers U. S. competition on the basis of commodities. The second section deals with the world by areas. Near the end is a list of studies made on competition in 1957; some are already published, others will be published soon. As they are published, they are available from Foreign Agricultural Service, USDA, Washington 25, D. C.

A new feature of the 1958 report is a detailed analysis of two foreign markets for certain U. S. farm products. One is considered a favorable market; the other is one that might be potentially valuable, or one where barriers or restrictions work against importing U. S. farm products.

This publication is one of the four annual reports being published by the Foreign Agricultural Service. The others are:

1. Maintaining High Level Agricultural Exports, issued November 15, 1957. Highlights of world agricultural trade in graphic form.

2. The World Agricultural Situation, 1958, issued December 15, 1957. How much food and other agricultural products the world will have for consumption until the 1958-59 harvest is gathered.

3. Developing Foreign Markets for U. S. Farm Products, to be issued February 1, 1958. The second annual report that summarizes the promotional activities undertaken to open the way to increased U. S. sales abroad.



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# COMPETITIVE POSITION OF U.S. FARM PRODUCTS ABROAD

## INTRODUCTION

Today's world trade in agricultural products is highly competitive. American farm products have to meet this competition. In the year ending June 30, 1957, U. S. agricultural exports were valued at \$4.7 billion, an all-time high, and accounted for 22 percent of all world agricultural exports.

In seeking foreign markets, the United States faces continued high production throughout the world. Stocks are high of many commodities important in international trade. Some decline in world demand is foreseen, due in part to lower gold and dollar reserves in certain countries, as compared with a year ago.

U. S. agriculture will meet increasingly stiffer competition in maintaining its recent record level of exports because of:

1. The programs of other exporting countries to maintain or expand their own exports of farm products.

2. The attempts of many importing countries to expand their own agricultural production--often uneconomically--to limit imports and save foreign exchange for industrial development.

These factors reassumed significance in world trade soon after World War II ended. They explain in a large measure the universal practice of government intervention in agriculture.

In international trade, this intervention usually takes the form of trade controls or restrictions, often favoring one country over another. These restrictions include bilateral agreements, guaranteed purchase agreements, high import duties, import licenses or exchange controls, and preferential import duties on a regional or other basis (lower duties on imports from some sources than from others).

These restrictions directly affect the competition which farm products of all countries face in the world market. The reasons generally given for their use are a need for maintaining or increasing domestic self-sufficiency or for protecting gold and foreign currency reserves. Many of these restrictions represent efforts to solve foreign exchange difficulties. Others are used to guarantee a given level of trade with a certain country or area, even though the product might be bought cheaper elsewhere.

Some countries use restrictions such as bilateral agreements and preferential import duty arrangements when they are not warranted. The restrictions may be used against one country, or countries, to stimulate trade with some other country or area to achieve certain objectives; and not for balance-of-payments reasons.

Progress is being made, however, in lessening or preventing further increases in trade barriers on agricultural products in world markets. The United States, along with other countries, is taking an active part in this move. It has trade agreements with 43 countries; 33 of this number are multilateral with members of the General Agreement on Tariffs and Trade and eight are bilateral agreements. Under GATT each member grants to all others the duty rates on agreed tariff items negotiated with any other country. GATT members agree to prohibit or limit the use of other forms of trade barriers.



Trade agreement concessions have been obtained by the United States on many farm products moving in foreign trade. In the year ending June 30, 1957, nearly 80 percent of U. S. agricultural exports went to countries with which the U. S. has trade agreements and two-thirds of such exports moved under trade agreement concessions.

Another favorable element in the U. S. competition in agricultural products is the fact that the United States is a large and growing market for agricultural products from other exporting countries. This trade is helping foreign countries earn dollars needed to buy our products, including farm products. In the past five years the value of U. S. imports of agricultural products averaged over \$4 billion annually. This was nearly 40 percent of all U. S. imports. Except for 1956, U. S. agricultural imports exceeded its exports in every year since 1950.

Reductions in this import trade would adversely affect our competitive position in world markets since dollar earnings of foreign countries would drop.

The United States is the major supplier of several agricultural products prominent in foreign production and trade. For example in 1957 the United States produced only 13 percent of the world's wheat but accounted for 43 percent of world exports (table 1). In the same year the United States produced more than one-half of the world's corn, soybeans, and tallow and greases; and about one-third of its cotton, lard, and oats and had an even larger share of world trade in most of these products. It exported more than three-fourths of the world's exports of tallow and greases, lard, and soybeans. About one-half of the world's exports of cotton and corn came from the United States in 1957.

U. S. agriculture is continuing its efforts to maintain and develop foreign markets for its farm products. In this effort considerable attention is being given to programs aimed at the enlargement of the total world market for agricultural products.

TABLE 1.--Major U. S. agricultural products: U. S. and world production and exports, and U. S. share, 1957<sup>1</sup>

Commodity	Unit	Production			Exports		
		United States	World	Percent U. S.	United States	World	Percent U. S.
Wheat.....	million bushels	997	7,800	12.9	550	1,282	42.9
Oats.....	" "	1,153	4,275	27.0	27	112	24.0
Corn.....	" "	3,451	6,510	53.0	154	269	57.2
Barley.....	" "	372	3,340	11.1	62	350	17.7
Soybeans.....	" "	491	887	55.4	82	104	78.9
Rice <sup>2</sup> .....	million pounds	4,740	438,484	1.1	1,550	13,700	11.3
Lard.....	" "	2,646	9,050	29.2	520	660	78.8
Tallow and greases.....	" "	3,294	6,430	51.2	1,530	1,960	78.1
Tobacco <sup>3</sup> .....	" "	1,680	8,360	20.1	490	1,585	30.9
Edible vegetable oils...	1,000 tons	3,095 <sup>4</sup>	11,497 <sup>5</sup>	26.9	1,035 <sup>4</sup>	2,317 <sup>5</sup>	44.7
Cotton.....	1,000 bales <sup>6</sup>	13,050	38,063	34.3	7,913	15,932	49.7

<sup>1</sup>Calendar year (partially estimated), except that grains and cotton are on a crop year basis.

<sup>2</sup>Milled basis. <sup>3</sup>Unmanufactured. <sup>4</sup>Includes oil equivalent of U. S. exports soybeans (82 million bushels). <sup>5</sup>Includes oil equivalent of world exports soybeans (104 million bushels).

<sup>6</sup>Bales of 500 lbs. gross weight.

## Export Outlook and Foreign Competition by Commodities

Wheat.--Largely because of a record crop in Europe, world wheat and flour imports in 1957-58 will fall short of the 1956-57 record of 1,282 million bushels, but they are expected to be higher than in any other preceding year. Competition from other exporters in supplying the reduced import requirements will be keener than a year ago because of continued large export supplies in Canada and increased supplies for export in France, the Middle East, the Danube Basin, and Argentina. U. S. exports are expected to amount to only 400 million bushels in 1957-58 compared with 549 million a year ago.

Feed Grains.--The world's 1957-58 imports of feed grains are expected to equal if not exceed last year's record of 17 million long tons. Competition in meeting those requirements will also be keener than a year ago because of continued large export supplies of oats and barley in Canada, larger export supplies of barley in the Middle East, and of corn in Argentina, South Africa, and the Danube Basin. U. S. feed grain exports this year are expected to be close to the 1955-56 record of 7.6 million long tons. Last year's total was 6.3 million tons.

Rice.--Demand for rice in importing countries in 1958 is expected to be even stronger than in 1957, when world exports reached 13,700 million pounds, a post-war record. The increased demand will be mainly in Asia, largely because of drought damage in India. Even before that drought, an increased demand was expected because of improved purchasing power in many importing countries. World export supplies, however, will be lower than in 1957 because of a reduction in the total production and carryover stocks of exporting countries. This is especially true of the United States. Competition which U. S. rice must face in world markets in 1958 will be largely price-wise.

Cotton.--Foreign consumption of U. S. cotton is expected to total about 6 million bales<sup>1</sup> in the 1957-58 season--slightly in excess of the 1956-57 level and the highest since 1935. Exports of U. S. cotton in 1957-58 are expected to be about 5.5 million running bales, substantially less than in 1956-57, when exports were 7.6 million<sup>2</sup>, but greater than the 3.8 million average of the past ten seasons (1946 to 1955). The half million-bale disparity between foreign consumption and exports of U. S. cotton will be possible because of the large build-up of stocks in foreign countries in the 1956-57 season. On August 1, 1956, the foreign carry-over of U. S. cotton was only 0.8 million bales. U. S. exports increased faster than foreign consumption, and there was a build-up to 2.6 million bales of foreign stocks of U. S. cotton a year later, the highest since 1947. This compared with an average of 1.7 million bales during the past ten years.

Tobacco.--U. S. exports of unmanufactured tobacco are forecast at 490 million pounds for 1957 compared to 510 million in 1956, 540 million in 1955, and an average of 486 million in the 1947-51 period. The level of exports is likely to decrease further in 1958. There has been a declining trend since the very high level reached in 1955 when much of the foreign sales of U. S. leaf was used to increase stocks.

The longer term outlook for U. S. exports is not bright, but the superior quality of U. S. tobaccos will tend to check a more drastic decline in the U. S. share of world trade. Foreign production for export continues to increase at a rapid rate.

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<sup>1</sup>Cotton statistics in this report are in 500-lb. gross weight bales unless otherwise specified.

<sup>2</sup>Equivalent to 7.9 million 500-lb. gross weight bales.



Dairy Products.--Both world and U. S. exports of dairy products in 1958 will probably be somewhat larger than in 1957. International trade in dairy products will continue to be more highly competitive than in either 1955 or 1956, but may show some price gains over 1957. United States exports of dairy products were smaller in 1957 than in 1956, as increases in exports of cheese, canned milk, and dry milk were smaller than the decline in butter exports. In 1958 the bulk of all exports of dairy products, except dry whole milk, is expected to move as a result of Government programs, as domestic prices for most products will continue at levels well above those likely to prevail in international trade channels.

Poultry Products.--World trade in poultry products may decline slightly in 1958, compared with 1957. Lower egg prices in all major producing countries in 1957 caused a decline in poultry numbers and output of poultry products, which will be reflected in trade levels. U. S. poultry products have a good reputation in many parts of the world. This accounts for a large part of the increase in the value of poultry product exports from about \$1 million in 1937 to nearly \$44 million in 1956. This upward trend may be halted for a time, however, by restrictive actions taken by some of the more important importing countries. Poultry production is on an upward trend in many countries, and governments are sympathetic to appeals for protective measures that will permit further increases in domestic production and will limit competition from external suppliers.

Livestock, Meat and Meat Products.--The 1957 world production of meat and meat products established a new record, but the rate of increase was not spectacular. Foreign exports continued high during 1957, or about 9 percent larger than in 1956. Despite increasing domestic production in importing countries foreign exports are expected to continue high in 1958. Regardless of the drop in U. S. production, U. S. exports during 1957 held up favorably. In 1957, exports of variety meats, tallow and greases, and lard dropped from the level of the previous year. Price-wise and quality-wise, U. S. hides and skins are competitive in the international market and exports increased substantially. In general, U. S. exports during 1958 are expected to equal if not exceed those of 1957.

Fats and Oils.--U. S. exports of edible vegetable oils and soybeans rose to record levels in 1956-57 and, in general, are expected to continue large through the 1957-58 marketing year. Currently the United States is facing stronger competition from foreign exports. Bumper African supplies of peanuts, a large 1957-58 Mediterranean olive crop, and more rapeseed from Canada and West Europe are important factors in the world supply of fats and oils. Also, with stronger anti-inflationary measures in many countries of West Europe and Japan, consumer incomes abroad may not increase as rapidly in 1958.

Fruits and Vegetables.--The world demand for fruit in the 1957-58 marketing season should be equal to or slightly better than in 1956-57. U. S. exports of fresh and processed fruits are expected to be slightly higher. Spring frosts and other adverse weather accounted for the very short supply of deciduous fruit in West Europe. World orange production in 1957-58 is likely to set an all-time record. The demand for fruit imports in Europe will be excellent; however, the purchases from dollar areas are controlled in several countries. There should be some increase in U. S. exports of apples, pears, and table grapes. U. S. price levels may limit the volume of U. S. exports. U. S. exports of winter oranges will encounter stiff competition from the Mediterranean area. Higher European prices for deciduous fruits may stimulate the consumption of fresh and processed citrus. The short peach crops in Australia and South Africa will engender an increased foreign demand mainly in the United Kingdom. The export outlook for other canned deciduous fruits is also favorable.



Foreign demand and U. S. exports are expected to continue strong for dried prunes but exports of U. S. raisins are expected to drop off in view of the short U. S. crop and exceptionally high domestic prices. With increased Mediterranean production and lower prices, exports of U. S. almonds are likely to be well below the high shipments of 1956-57. Exports of vegetables may continue to rise, reflecting a further increase in Canadian demand.

# SITUATION BY COMMODITIES

## FOOD AND FEED GRAINS

Competition for grain export outlets is keener today than ever before. Wheat and rice are the most important U. S. food grain exports. Rye exports are relatively insignificant. Corn is first in U. S. feed grain exports. Barley, sorghums, and oats follow in that order. Supplies available for export from the U. S. in 1957-58 are lower than in 1956-57 for wheat, rye and rice but higher for feed grains, especially sorghums. All of these grains are being offered for export at competitive prices, although world market prices in most instances are well below U. S. domestic prices.

### Factors Affecting U. S. Grain Exports in 1957-58

Ability of the world's grain importing countries to provide outlets for the grain surpluses of the U. S. and other exporting countries depends mainly on the size and quality of their crops. Other factors include carry-in stocks, consumer purchasing power, consumption trends, competitive prices, import controls, export aids, trade agreements, transportation facilities, the international balance of payments situation, and the international political situation.

These factors vary in their impact from year to year and frequently counteract each other. The most significant items in the competitive situation confronting U. S. grain and grain products in world markets in 1957-58 include the following:

Favorable Factors.--(1) Reduced export supplies of wheat in Australia, Algeria, and Morocco; indications of a lower wheat crop in Russia; and continued low level of corn exports from Argentina.

(2) Gradually increasing demand for food grains in less developed regions of the world, especially in the Far East, Latin America and Africa.

(3) Continued large U. S. expenditures abroad; an upward trend in the gold and dollar assets of some importing countries; and efforts on the part of others to make more of their dollar exchange available for grain imports.

(4) Expanding populations; improvements in industrial activity; and rising prosperity in most of the major grain importing countries.

(5) High level of demand for feed grains in many foreign countries because of upward trends in livestock numbers and in amount fed per animal unit.

(6) Continued opportunities for exporting substantial quantities of grain under various government programs. These include (a) credit arrangements by the Export-Import Bank and CCC, (b) sales for foreign currencies, (c) barter, (d) donations, and (e) foreign aid programs.

(7) Generally improved export outlook for U. S. feed grains because of smaller oats and barley crops in many competing exporting countries; reduction in the corn, oats and barley crops of West European importing countries; relatively insignificant supplies of low quality wheat in Europe for feed use in 1957-58; and continued low exports of corn from Argentina because of the small crop harvested in April 1957.

Unfavorable Factors.--(1) Reduced wheat import requirements in many countries because of a large crop in 1957-58, especially in West Europe, India, Pakistan, and Turkey.

(2) More competition in world markets in 1957-58 from Middle East wheat and barley; return of France as an important wheat exporter; prospects for substantial wheat exports from the Danube Basin; and continued large export availabilities of wheat in Canada.

(3) Continued efforts of importing countries to become more self-sufficient in grains and their unwillingness or inability to take advantage of lower costs of imported grains, especially wheat.

(4) Continued quantitative control over imports either to conserve dollar exchange, thus encouraging imports from non-dollar sources, or to assure local market outlets for home-grown grain, especially wheat, produced under high support prices.

(5) Use of bilateral, triangular and barter arrangements for grain from non-dollar sources, thus sealing off markets which might otherwise have been supplied, at least in part, by the U. S.

(6) Obligation of flour millers in virtually all importing countries, especially in Europe, to give priority to home-grown wheat.

(7) Efforts on the part of competing exporters to expand export outlets through various Government programs.

(8) Continued balance of trade and payments difficulties and lack of free convertibility of currencies in many grain importing countries.

(9) Tendency towards reduced consumption of bread grains in favor of high protein foods in countries where expanding economic activity is accompanied by higher incomes, and tendency of most countries to expand wheat production faster than effective demand.

### Impact of Foreign Production on U. S. Grains

World production of wheat, rye, rice, corn, oats and barley has been increasing more rapidly than population since the end of World War II. Preliminary estimates indicate that the total output in 1957-58 will be about 804 million tons. This represents an increase of 21.6 percent compared with the immediate post-war (1945-49) average. Production has increased much more rapidly in foreign countries than in the United States. World population in 1957 shows an increase of only 12 percent compared with 1949.

Wheat.--The world's 1957-58 wheat crop is tentatively estimated at 7.6 billion bushels, 2 percent under the 1956-57 record of 7.8 billion but 9 percent above the 1950-54 average (table 2). The reduction from the large 1956 crop is the result mainly of sharply reduced acreage in North America, especially in the United States, lower yields in Canada, and drought damage to the Australian crop.

The 1957-58 crop in major importing countries is estimated at approximately 2 billion bushels compared with 1.8 billion bushels in 1956-57. The increase is due largely to record crops in most West European countries, and near record crops in India and Pakistan.

The 1957-58 crop in the principal foreign exporting countries is tentatively estimated at 1.6 billion bushels, or slightly less than last year. The reduction is due mainly to smaller crops in Canada, Australia, and North Africa.

The Middle East reported a record crop this year and substantially increased supplies for export. Increased export supplies are also indicated for the Danube Basin because of a larger crop this year. Indications are that Argentina



TABLE 2.--Wheat: World production by areas and U.S. share, average 1950-54, annual 1956 and 1957, with comparisons

Country or area	Average 1950-54	1956	1957 <sup>1</sup>	Percent 1957 is of 1950-54
	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Percent</u>
Principal foreign exporters:				
Canada.....	529	573	360	68
Australia.....	182	135	( <sup>2</sup> )	82
Argentina.....	216	261	( <sup>2</sup> )	116
France.....	315	240	383	122
Sweden.....	30	35	31	103
Syria.....	27	32	37	137
Turkey.....	214	235	276	129
Algeria.....	42	55	44	105
French Morocco.....	35	38	24	69
Tunisia.....	20	18	20	100
Uruguay.....	22	20	( <sup>2</sup> )	100
Total.....	1,632	1,642	1,597	98
Principal importers:				
Free Europe <sup>3</sup> .....	887	937	1,017	115
Free Asia <sup>3</sup> .....	629	696	771	123
South America <sup>3</sup> .....	70	79	78	111
Africa <sup>3</sup> .....	86	102	88	102
Total.....	1,672	1,814	1,954	117
Other foreign.....	2,587	3,347	3,146	122
United States.....	1,094	997	923	84
Estimated world total.....	6,985	7,800	7,620	109
U. S. percent of world.....	<u>Percent</u> 16	<u>Percent</u> 13	<u>Percent</u> 12	--

<sup>1</sup>Preliminary. <sup>2</sup>Unofficial estimate included in total. <sup>3</sup>Excludes production in any exporting country shown separately.

and Uruguay also have substantially larger crops and increased export availabilities. In Australia, however, the crop will be well under 100 million bushels, the smallest since 1944, and that country will have very limited supplies for export in 1957-58.

Rice.--World rice production in 1957-58 is tentatively forecast at a near record of 434.5 billion pounds (rough rice basis) (table 3). Although down 1 percent from the alltime high of 438.3 billion pounds produced in 1956-57, the current season's crop at the indicated level would be 11 percent above the 1950-54 average.

The reduction from last year's record crop was due mainly to a decline in the production of India, a major importing country. The new crops in some of the principal exporting countries also show a reduction, especially in Thailand and the United States.

World rice production has shown a definite upward trend since the end of World War II and is now at record levels compared with immediate prewar and postwar periods. Production, however, has not kept pace with population growths. This is especially true in areas where rice is an important part of the diet. Supplies of rice currently available are not yet sufficient to fill per capita requirements equivalent to prewar consumption levels.

TABLE 3.--Rice, rough: World production by areas and U. S. share, year beginning Aug. 1, average 1950-54, annual 1956 and 1957, with comparisons

Country and area	Average 1950-54	1956	1957 <sup>1</sup>	Percent 1957 is of 1950-54
Principal foreign exporters:	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Percent</u>
Burma.....	13,900.0	15,900.0	15,900.0	114
Thailand (Siam).....	15,281.2	18,340.0	16,500.0	108
Taiwan (Formosa).....	4,565.0	5,262.0	5,000.0	110
Italy.....	1,881.4	1,430.0	1,500.0	80
Egypt.....	1,829.3	3,468.8	3,665.0	200
Total <sup>2</sup> .....	37,456.9	44,400.8	42,565.0	114
Principal importers:				
Japan <sup>3</sup> .....	25,190.0	29,885.1	31,596.1	125
India.....	81,750.0	94,650.0	88,000.0	108
Indonesia.....	23,057.3	24,800.0	24,000.0	104
Malaya.....	1,453.4	1,733.8	1,600.0	110
Ceylon.....	1,223.4	1,200.0	1,300.0	106
Cuba.....	320.0	570.0	600.0	188
Total <sup>2</sup> .....	132,994.1	152,838.9	147,096.1	111
Other countries <sup>4</sup> .....	216,747.3	236,503.7	240,577.2	111
United States.....	5,002.6	4,740.2	4,287.7	86
Estimated world total.....	392,200.9	438,483.6	434,526.0	111
U. S. percent of world.....	<u>Percent</u> 1.3	<u>Percent</u> 1.1	<u>Percent</u> .99	--

<sup>1</sup>Preliminary. <sup>2</sup>Excluding Communist Bloc countries. <sup>3</sup>Statistics through 1954 subject to revision. <sup>4</sup>Including Communist Bloc countries.

At present price levels, world rice production is not likely to continue increasing at the rate of the past decade. On the other hand, should prices tend to rise rapidly, imports of deficit countries would undoubtedly be reduced to some extent by a substitution of cheaper cereals. Importing countries during 1957-58 will have to depend almost entirely on supplies from current production since the surpluses that existed from 1953 to 1957 have been liquidated.

Feed Grains.--World production of feed grains (corn, oats, and barley) in 1957-58 is tentatively estimated at 320 million tons, down about 4 percent from the 1956-57 total of 331 million tons but an increase of 21 percent compared with the 1945-49 average. The decline is due to a large reduction from last year's near record world oats and barley crop and a substantial reduction from last year's world record corn crop.

Corn.--The world's 1957-58 corn crop is tentatively estimated at 6.4 billion bushels, a reduction of slightly more than 1 percent from last year's record but still 14 percent above the immediate postwar average and 35 percent above the prewar average (table 4). The decline is mainly the result of substantial reductions in the United States, the world's largest exporter, and in Mexico and West European importing countries. Crops in most of the importing countries of Asia and Africa show only moderate reductions.

The 1957-58 crop in the major importing countries of West Europe is estimated at about 118 million bushels compared with 132 million bushels in 1956-57. Since most of the corn exported goes to West Europe, the reduction in the



TABLE 4.--Corn: World production by areas and U. S. share, average 1950-54, annual 1956 and 1957, with comparisons

Country or area	Average 1950-54	1956	1957 <sup>1</sup>	Percent 1957 is of 1950-54
	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Percent</u>
Principal foreign exporters:				
Argentina.....	120	110	( <sup>2</sup> )	117
Union of South Africa.....	116	147	( <sup>2</sup> )	112
Angola.....	13	13	( <sup>2</sup> )	100
Total.....	249	270	283	114
Other foreign:				
Free Europe.....	331	399	424	128
Free Asia.....	316	330	330	104
Latin America <sup>3</sup> .....	517	559	543	105
Africa <sup>3</sup> .....	226	240	242	107
Others.....	889	1,261	1,303	147
Total.....	2,279	2,789	2,842	125
United States.....	3,112	3,451	3,305	106
Estimated world total.....	5,640	6,510	6,430	114
U. S. percent of world.....	<u>Percent</u> 55	<u>Percent</u> 53	<u>Percent</u> 51	--

<sup>1</sup>Preliminary. <sup>2</sup>Unofficial estimate included in total. <sup>3</sup>Excludes production in any exporting country shown separately.

1957 crop means substantially increased import requirements for corn in that area in 1957-58.

On the other hand, competition in supplying those requirements is keen because of larger crops and export availabilities in the Danube Basin (especially Yugoslavia), the Union of South Africa, and an anticipated increase in export supplies in Argentina after the harvesting of the forthcoming crop. The corn crop to be harvested in Argentina in April 1958 is expected to be substantially larger than a year ago.

Oats.--World oats production in 1957-58 is tentatively estimated at 4.1 billion bushels, a reduction of about 5 percent from 1956-57 and 3 percent under the postwar average (table 5). The reduction occurred mainly in Canada (the principal U. S. competitor in world markets) and in West Europe. West Europe takes most of the oats exported. A reduction is expected also in Australia's crop because of drought.

Barley.--World barley production in 1957-58 is estimated at 3.1 billion bushels, a reduction of about 7 percent from last year's large crop but still 16 percent above the postwar average (table 6). The decline is accounted for mainly by reductions in West Europe, especially France, which last year had an unprecedented barley surplus, and by smaller crops in the Soviet Union, Morocco, Algeria, and Canada. In addition, crops in Argentina and Australia will be smaller in 1957-58. Most barley exports go to West Europe.

The reduction in the 1957-58 oats and barley crops in West Europe's importing countries means bigger import requirements for that area. However, U. S. exporters continue to meet vigorous competition in supplying those requirements because of large export supplies of oats and barley in Canada and a

TABLE 5.--Oats: World production by areas and U. S. share, average 1950-54, annual 1956 and 1957, with comparisons

Country or area	Average 1950-54	1956	1957 <sup>1</sup>	Percent 1957 is of 1950-54
	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Percent</u>
Principal foreign exporters:				
Canada.....	414	524	388	94
Argentina.....	56	79	55	98
Australia.....	42	53	( <sup>2</sup> )	131
Total.....	512	656	498	97
Other foreign:				
Free Europe.....	1,044	1,104	920	88
Free Asia.....	36	39	43	119
Latin America <sup>3</sup> .....	15	14	14	93
Africa.....	23	12	11	48
Others.....	1,250	1,297	1,226	98
Total.....	2,368	2,466	2,214	93
United States.....	1,285	1,153	1,338	104
Estimated world total.....	4,165	4,275	4,050	97
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	
U. S. percent of world.....	31	27	33	--

<sup>1</sup>Preliminary. <sup>2</sup>Unofficial estimate included in total. <sup>3</sup>Excludes production in any exporting country shown separately.

considerably larger barley crop and increased export availabilities in the Middle East. There are also indications that Argentina may have larger oats and barley crops and export supplies than a year ago.

### Foreign Grain Production and Export Incentives

Foreign governmental policies on production, trade and prices are among the most important developments in the competitive status of U. S. grain and grain products during the past 25 years. Price alone is no longer the outstanding factor. Virtually all grain importing countries have adopted policies designed to make themselves more self-sufficient in grains. Most foreign grain exporting countries, on the other hand, have taken action to maintain or expand production and assure export outlets for their surpluses.

In both instances, the overall objective is maintenance of desired levels of agricultural income and satisfactory balances of foreign currencies. Deficit producing countries desire needed supplies from abroad at the lowest possible price consistent with quality requirements. Surplus producing countries want to expand their export outlets and sell their surpluses in world markets at the highest price obtainable.

Many measures have been adopted to attain those objectives. In importing countries, they include import controls through tariffs, quotas, licensing, foreign exchange controls, bilateral trade agreements and government import monopolies; producer price supports; and subsidies for such production requisites as fertilizers, machinery and motor fuels; compulsory utilization of specified percentages of home-grown grains; subsidies for local flour mills;



TABLE 6.--Barley: World production by areas and U. S. share, average 1950-54, annual 1956 and 1957, with comparisons

Country or area	Average 1950-54	1956	1957 <sup>1</sup>	Percent 1957 is of 1950-54
	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Percent</u>
Principal foreign exporters:				
Canada.....	228	269	223	98
Denmark.....	89	110	111	125
France.....	89	275	168	189
Iraq.....	35	46	60	171
Syria.....	12	25	23	192
Turkey.....	128	100	147	115
Algeria.....	37	46	25	68
French Morocco.....	71	72	22	31
Argentina.....	39	62	(2)	95
Australia.....	31	52	(2)	155
Total.....	759	1,057	871	115
Other foreign:				
Free Europe <sup>3</sup> .....	401	472	507	126
Free Asia <sup>3</sup> .....	306	326	325	106
Latin America <sup>3</sup> .....	31	34	32	103
Africa <sup>3</sup> .....	38	37	40	105
Others.....	877	1,042	914	104
Total.....	1,653	1,911	1,818	110
United States.....	283	372	431	152
Estimated world total.....	2,695	3,340	3,120	116
U. S. percent of world.....	<u>Percent</u> 11	<u>Percent</u> 11	<u>Percent</u> 14	--

<sup>1</sup>Preliminary. <sup>2</sup>Unofficial estimate included in total. <sup>3</sup>Excludes production in any exporting country shown separately.

consumer subsidies and other measures to offset effects of relatively high support prices (table 7) for home-grown grains. This makes importing countries less dependent on foreign sources of supply, even though imported grains can be bought at lower prices.

In exporting countries, such measures consist mainly of steps to facilitate the sale of surpluses abroad while at the same time assuring returns to growers that will not fall below a minimum guaranteed for the entire crop. They include control of exports; sales on special terms or at favorable exchange rates; barter and other bilateral agreements; producer price supports; and more or less indirect subsidies through arrangements for governmental absorption of losses on exports. In the absence of definite steps to reduce acreage, these measures tend to maintain production for export higher than needed to supply import requirements. A detailed discussion of measures being employed by corn and wheat producing countries appeared in "Competitive Position of United States Farm Products Abroad, 1957" - Inserts facing pages 10 and 16.<sup>3</sup>

<sup>3</sup>Published by USDA, Foreign Agricultural Service, January 1957.



TABLE 7.--Grains: Support prices <sup>1</sup>in specified countries for the crops of 1956 and 1957

Country	Wheat		Rye		Corn		Oats		Barley	
	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957
	<u>Dol.</u> <u>per</u> <u>bushel</u>	<u>Dol.</u> <u>per</u> <u>bushel</u>	<u>Dol.</u> <u>per</u> <u>bushel</u>	<u>Dol.</u> <u>per</u> <u>bushel</u>	<u>Dol.</u> <u>per</u> <u>bushel</u>	<u>Dol.</u> <u>per</u> <u>bushel</u>	<u>Dol.</u> <u>per</u> <u>bushel</u>	<u>Dol.</u> <u>per</u> <u>bushel</u>	<u>Dol.</u> <u>per</u> <u>bushel</u>	<u>Dol.</u> <u>per</u> <u>bushel</u>
United States..	2.00	2.00	1.27	1.18	1.50	1.40	0.65	0.61	1.02	0.95
Canada.....	1.45	1.45	--	--	--	--	.67	.62	.99	.99
Australia.....	1.53	( <sup>2</sup> )	--	--	--	--	--	--	--	--
Argentina.....	1.26	1.34	.94	.94	1.25	1.57	.55	.55	.75	.75
France.....	2.68	2.17	2.00	1.62	2.61	2.18	.79	--	1.64	1.36
Sweden.....	2.29	2.13	1.94	1.79	--	--	--	--	--	--
Uruguay.....	2.51	3.04	--	--	--	--	--	--	--	--
Turkey.....	2.91	3.89	2.27	2.90	--	--	1.14	1.45	1.72	2.18
Union of South Africa.....	2.24	2.24	--	--	1.18	1.18	--	--	--	--
Austria.....	2.62	2.62	2.25	2.25	--	--	--	--	--	--
Belgium.....	<sup>3</sup> 2.54	<sup>3</sup> 2.54	--	--	--	--	--	--	--	--
Brazil.....	3.22	2.69	--	--	--	--	--	--	--	--
West Germany...	2.73	2.83	2.43	2.52	--	--	1.06	1.09	1.96	1.98
Italy.....	3.07	3.03	--	--	--	--	--	--	--	--
Japan.....	2.65	2.77	--	--	--	--	--	--	1.95	2.04
Pakistan.....	1.54	1.77	--	--	--	--	--	--	--	--
United Kingdom.	2.27	2.14	1.63	1.55	--	--	1.00	1.10	1.57	1.74
Switzerland....	4.26	4.26	3.32	3.32	--	--	--	--	--	--
Ireland.....	2.13	2.13	--	--	--	--	--	--	<sup>4</sup> 1.20	<sup>4</sup> 1.20
Netherlands....	1.88	2.04	1.67	1.46	--	1.64	.97	.91	1.37	1.46
Portugal.....	2.85	2.85	2.13	2.13	1.95	1.95	--	--	1.37	1.37
Spain.....	2.85	3.16	--	2.27	--	--	--	.97	--	1.71
India.....	1.53	1.53	--	--	--	--	--	--	--	--

<sup>1</sup>Fixed or average guaranteed prices for standard grades during base periods converted to dollars per bushel at official exchange rates. <sup>2</sup>Not available. <sup>3</sup>Directional prices. <sup>4</sup>Price for feeding barley.

### U. S. Competitive Status in Specified Markets

Because of continually changing policies and programs of governments it is difficult to predict export prospects for U. S. grains in any specified market or year. Prospects which appear to favor increased sales abroad in one year can become unfavorable the next. Japan is an example where the outlook currently is for continued large export sales of U. S. wheat. Conversely, Belgium is an example where prospects for continued large sales of U. S. feed grains currently are unfavorable.

Japan.-- There is a definite trend toward eating more wheat products and food of animal origin.

Here prospects for increased sales of U. S. wheat are favorable, provided Japan can finance its import requirements by increased exports of manufactured goods. Japan must import wheat as long as the population continues to expand at the current rate of 1.2 to 1.5 million per year.

Japanese wheat imports from all countries in the year ending June 30, 1957 were 88 million bushels (table 8). Fifty-six percent was supplied by the United States, 37 percent by Canada, and 4 percent by Australia.

Some increase in Australian sales to Japan are expected in the future as a result of the 3-year trade agreement signed by the two countries on July 6, 1956.

TABLE 8.--Japan: Wheat and flour imports by country of origin, year beginning July 1, 1954-56

Country of origin	1954		1955		1956	
	<u>1,000 bushels</u>	<u>Percent</u>	<u>1,000 bushels</u>	<u>Percent</u>	<u>1,000 bushels</u>	<u>Percent</u>
United States <sup>1</sup> .....	33,197	47.8	38,398	46.1	49,183	56.0
Canada <sup>1</sup> .....	26,160	37.7	30,226	36.2	32,253	36.7
Australia <sup>1</sup> .....	1,017	1.5	11,521	13.8	3,685	4.2
Argentina <sup>1</sup> .....	7,544	10.9	1,423	1.7	110	.1
Others <sup>2</sup> .....	1,454	2.1	1,825	2.2	2,670	3.0
Total.....	69,372	100.0	83,393	100.0	87,901	100.0

<sup>1</sup>Wheat only. <sup>2</sup>Virtually all flour in terms of wheat. Japan's monthly import figures do not show flour imports by origin. However, U.S. and Canadian export figures indicate that 54 percent of Japan's flour imports during the past five years was supplied by the United States and 46 percent by Canada.

Under that agreement Japan agreed to buy at least 7.5 million bushels of Australian f.a.q. soft white wheat annually, if offered at competitive prices, and as much hard or high protein wheat as Australia could supply.

Japan is a State trading nation for wheat. To encourage expansion in domestic production, the Government each year sets a price at which it purchases home-grown wheat of a specified standard. For the 1957 crop, the guaranteed price for standard grade wheat is the equivalent of \$2.77 per bushel (table 7). Farmers can sell directly to millers and private traders. In that case, the Government's price acts as a floor. The Government also fixes the prices at which it sells home-grown wheat to millers and other processors. To hold down consumer prices for flour and bread, it has been selling domestic wheat for home use at a loss since April 1, 1956.

Under these conditions, wheat imports must be kept under close control. The Government each year announces its planned imports, specifying the quantity of each type to be imported during the first and the second half of the year and the countries of origin. These plans usually have to be adjusted during the year.

Importing is done by registered traders under Government licenses issued for specified quantities and types on the basis of bids. Licenses are issued to trader submitting the lowest bid. The Government then releases the needed foreign exchange. Traders sell the imported wheat to the Government at the bid prices. The Government, in turn, sells it in domestic market at higher prices. Profits are used to cover losses by the Government on its sales of domestic wheat for home consumption at less than the guaranteed price paid to growers.

Reasons for the favorable position of U. S. wheat in Japan include Government policies in importing on a strictly competitive basis and promotion of increased consumption of wheat products; and the fact that Pacific Northwest wheat is especially suitable for noodles and pastry.

During October 1957, prices paid for imported wheat ranged as follows: U. S. Western White No. 2 or better, \$70.56 to \$75.50 per metric ton; U. S. Hard Winter and Dark Hard Winter, \$71.22 to \$76.79 per ton; Canadian Manitoba Northern No. 2 and 3, \$69.97 to \$70.50 per ton; and Australian wheat comparable to U. S. Western White, \$63.57 to \$64.29 per ton.

Belgium.--The U. S. share of Belgium's feed grain imports has fluctuated widely in recent years, but in 1956-57 the United States was by far the leading source of supply, except for barley. In that year, the United States was third in importance, next to France and Syria. The U. S. share of Belgium's corn imports



TABLE 9.--Feed grains: Imports into Belgium and U.S.  
share, year beginning July 1, 1954-1956

Commodity and origin	1954		1955		July-May 1956-57	
	<u>1,000</u> <u>bushels</u>	<u>Percent</u>	<u>1,000</u> <u>bushels</u>	<u>Percent</u>	<u>1,000</u> <u>bushels</u>	<u>Percent</u>
Corn:						
United States.....	3,590	22.1	7,457	48.1	6,128	39.1
Other countries.....	12,651	77.9	8,038	51.9	9,537	60.9
Total.....	16,241	100.0	15,495	100.0	15,665	100.0
Oats:						
United States.....	332	6.7	2,475	48.6	4,483	60.9
Other countries.....	4,637	93.3	2,620	51.4	2,884	39.1
Total.....	4,969	100.0	5,095	100.0	7,367	100.0
Barley:						
United States.....	3,270	15.2	14,416	58.7	2,381	8.4
Other countries.....	18,224	84.8	10,163	41.3	25,873	91.6
Total.....	21,494	100.0	24,579	100.0	28,254	100.0
Sorghums:						
United States.....	4,826	80.2	8,376	88.0	5,344	58.4
Other countries.....	1,188	19.8	1,144	12.0	3,810	41.6
Total.....	6,014	100.0	9,520	100.0	9,154	100.0

has been declining, but that of oats has been increasing. The trend for barley and grain sorghums has been erratic (table 9).

During the 5-year period ending with 1956-57, the U. S. portion of Belgium's feed grain imports was about 47 percent for corn, 21 percent for oats, 20 percent for barley, and 70 percent for sorghums. Other competitors were Argentina and the Union of South Africa for corn; France, the Netherlands, and Canada, and in some years Russia, for oats; France, the United Kingdom, the Netherlands, Russia, Iraq, and Syria for barley; and Argentina for grain sorghums.

Belgium recently took action to reduce feed grain imports and expand domestic production. Reasons include the following: the fact that Belgian agriculture has not benefited from the high economic level enjoyed by the rest of the economy; dissatisfaction of producers because of low prices for feed grains; and belief of farm leaders that the country's producers of feed grains were in an unfair competitive position compared with foreign exporters.

Action taken to remedy this situation includes termination of the open license system for feed grain imports; imposition of an import license tax on those grains; and payment of an acreage subsidy to feed grain producers. The import license tax for feed rye, barley, and oats is equivalent to 25.4, 21.8 and 14.5 cents per bushel respectively, 15.2 cents per bushel for corn, and 14.5 cents per bushel for millet. The acreage subsidy amounts to \$8.10 per acre for rye, spelt, meslin and winter barley, and \$6.07 per acre for oats and mixed grains.

If Belgium's plan to reduce imports and increase production of feed grains is successful, there is likely to be some shift from wheat to feed crops. This would be felt by all competing suppliers, especially by the United States since it has been the most important feed-grain exporter to Belgium. In the long run, however, any substantial reduction in imports of U. S. feed grains will probably

be offset by increased U. S. exports of wheat to Belgium, depending on price and quality competition from Canada and Argentina.

## World Grain Exports and U. S. Share

U. S. grains are competitive in world markets. This is proved by the fact that in 1956-57 the United States accounted for 43 percent of the estimated world exports of wheat (table 10); 11 percent of the rice (table 11); 19 percent of the rye (table 12); 57 percent of the corn (table 13); 24 percent of the oats (table 14); and 18 percent of the barley (table 15).

As usual, the principal surplus producers competing with the United States for export outlets will be Canada, Argentina, and Australia for bread and feed grains, and Burma and Thailand for rice. But there will also be keen competition in 1957-58 from France, the Near East, and the Danube Basin for wheat; from West Germany and the Netherlands for rye; from South Africa, Angola, and Yugoslavia for corn; and from the Middle East, especially Iraq, Syria and Turkey, for barley.

Taken as a geographical unit, West Europe is the world's largest importing area for all bread and feed grains except grain sorghums. In the latter instance, West Europe usually runs a close second with Asia as to the largest importing area. For rice, the bulk of the world exports originate in and are imported by Asiatic countries.

Wheat.--Because of large crops and heavy carryins in most European importing countries this year, world wheat and flour imports in 1957-58 will probably fall short of the record total of 1,282 million bushels (table 10) grain equivalent set in 1956-57. However, they are expected to be higher than in any other preceding year, including even the previous peak of 1,066 million bushels exported in 1951-52. The expected reduction could be offset to some extent,

TABLE 11.--Rice: World exports by areas and U.S. share, average 1951-55, annual 1956 and 1957, with comparisons

Country or area	Average 1951-55	1956	1957 <sup>1</sup>	Percent 1957 is of 1951-55
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Percent</u>
Foreign exporting countries:				
Burma.....	2,969	4,107	4,480	151
Thailand (Siam).....	2,978	2,799	3,300	111
Indochina.....	553	107	800	145
Taiwan (Formosa).....	218	241	650	298
Italy.....	489	771	650	133
Egypt.....	249	485	550	221
Spain.....	98	201	110	112
Others.....	1,043	849	660	63
Total <sup>2</sup> .....	8,597	9,560	11,400	133
United States.....	1,388	2,124	1,550	112
World total <sup>3</sup> .....	10,475	12,750	13,700	131
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	
U.S. percent of world.....	13	17	11	--

<sup>1</sup>Preliminary. <sup>2</sup>Excluding Communist Bloc countries. <sup>3</sup>Including Communist Bloc countries.

TABLE 10.--Wheat: World exports by areas and U. S. share, year beginning July 1, average 1950-54, annual 1955 and 1956, with comparisons

Country or area	Average 1950-54	1955	1956 <sup>1</sup>	Percent 1956 is of 1950-54
Foreign exporting countries:	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Percent</u>
Canada.....	300.3	289.0	282.2	96
Australia.....	98.2	102.0	128.8	131
Argentina.....	81.0	115.0	98.0	121
France.....	40.1	98.6	14.4	36
Turkey.....	15.5	10.0	--	--
Uruguay.....	7.0	18.2	12.1	173
Sweden.....	6.5	3.3	9.9	152
Algeria.....	7.2	6.6	--	--
French Morocco.....	3.0	8.8	3.8	127
Tunisia.....	6.4	1.3	--	--
Syria.....	5.8	.5	10.1	174
Others.....	67.3	41.7	173.3	258
Total.....	638.3	695.0	732.6	115
United States <sup>2</sup> .....	329.7	346.0	549.9	167
World total.....	968.0	1,041.0	1,281.5	132
U. S. percent of world.....	<u>Percent</u> 34	<u>Percent</u> 33	<u>Percent</u> 43	--

<sup>1</sup>Preliminary. <sup>2</sup>Excludes exports of flour milled in bond.

TABLE 12.--Rye. World exports by areas and U.S. share, year beginning July 1, average 1950-54, annual 1955 and 1956, with comparisons

Country or area	Average 1950-54	1955	1956 <sup>1</sup>	Percent 1956 is of 1950-54
Foreign exporting countries:	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Percent</u>
Canada.....	10.1	9.8	10.4	103
Argentina.....	13.1	8.8	9.4	72
Netherlands.....	.8	1.5	.9	112
Sweden.....	1.5	( <sup>2</sup> )	2.0	183
Turkey.....	1.8	--	--	--
Others.....	11.7	20.4	21.9	187
Total.....	39.0	49.5	44.6	114
United States.....	2.8	7.0	10.6	379
World total.....	41.8	47.5	55.2	132
U.S. percent of world.....	<u>Percent</u> 7	<u>Percent</u> 15	<u>Percent</u> 19	--

<sup>1</sup>Preliminary. <sup>2</sup>Less than 100,000 bushels.



TABLE 13.--Corn: World exports by areas and U.S. share, year beginning July 1, average 1950-54, annual 1955 and 1956, with comparisons

Country or area	Average 1950-54	1955	1956 <sup>1</sup>	Percent 1956 is of 1950-54
	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Percent</u>
Foreign exporting countries:				
Argentina.....	35.0	17.0	43.0	123
Union of South Africa.....	8.0	31.9	41.0	512
Brazil.....	2.0	.3	--	--
Eastern Europe.....	17.0	19.1	7.9	46
Others.....	26.0	30.3	23.5	90
Total.....	88.0	98.6	115.4	131
United States.....	104.0	124.3	153.7	147
World total.....	192.0	222.9	269.1	140
U.S. percent of world.....	<u>Percent</u> 54	<u>Percent</u> 56	<u>Percent</u> 57	--

<sup>1</sup>Preliminary.

TABLE 14.--Oats: World exports by areas and U.S. share, year beginning July 1, average 1950-54, annual 1955 and 1956, with comparisons

Country or area	Average 1950-54	1955	1956 <sup>1</sup>	Percent 1956 is of 1950-54
	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Percent</u>
Foreign exporting countries:				
Canada.....	60.2	7.7	118.8	31
Australia.....	10.9	13.5	10.2	94
Argentina.....	18.5	12.4	20.5	111
Others.....	18.9	19.6	35.9	190
Total.....	108.5	53.2	85.4	79
United States.....	6.9	29.1	26.8	388
World total.....	115.4	82.3	112.2	97
U.S. percent of the world.....	<u>Percent</u> 6	<u>Percent</u> 35	<u>Percent</u> 24	--

<sup>1</sup>Preliminary.

TABLE 15.--Barley: World exports by areas and U. S. share, year beginning July 1, average 1950-54, annual 1955 and 1956, with comparisons

Country or area	Average 1950-54	1955	1956 <sup>1</sup>	Percent 1956 is of 1950-54
	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Percent</u>
Foreign exporting countries:				
Canada.....	78.0	67.0	85.6	110
Australia.....	19.0	22.0	27.6	145
Argentina.....	16.0	29.0	25.9	162
Eastern Europe.....	17.0	6.0	25.2	148
French North Africa.....	25.0	16.0	12.4	50
Turkey.....	4.0	12.0	--	--
Iraq.....	20.0	12.0	5.6	28
Others.....	38.0	34.0	105.8	278
Total.....	217.0	198.0	288.1	133
United States.....	340.0	104.0	62.1	18
World total.....	251.0	302.0	350.2	140
U. S. percent of world.....	<u>Percent</u> 14	<u>Percent</u> 34	<u>Percent</u> 18	--

<sup>1</sup>Preliminary.

however, by a continued upward trend in economic prosperity in major importing countries and in the less developed regions of the world.

U. S. exports are currently expected to total 400 million bushels compared with 549 million a year ago. The United States can supply virtually any type of wheat desired by foreign millers. The U. S. share of their requirements in 1957-58 will depend largely on price, quality, and salesmanship.

Even allowing for substantially reduced export supplies in Australia, competition for the reduced import requirements of deficit countries will be extremely keen. Factors leading to this conclusion are continued large export availabilities in Canada; an anticipated increase in export supplies in Argentina and Uruguay; a record crop and prospects for substantial exports from the Middle East, especially from Iraq and Syria; the return of France as an important wheat exporter with an exportable surplus of 80 to 85 million bushels; and prospects for substantial exports from the Danube Basin.

Rice.--Because of virtually complete liquidation during the past two years of the rice surpluses held by Thailand, Burma, the United States, and Italy, world exports in 1958 are not likely to reach the 1956 and 1957 levels when they averaged 13 billion pounds (table 11). Exports in these years were the highest since the beginning of World War II. The bulk of the world's annual rice surplus does not appear on world markets until shortly after the start of the calendar year. This is especially the case in Thailand and Burma, the two principal foreign competitors.

Outstanding reasons for the increased exports in 1956 and 1957 were lower prices, improved economic conditions in deficit countries, population increases, governmental policies regarding levels of working stocks, and availabilities of U. S. rice under surplus disposal programs. Crop losses in several importing countries were also a factor, but these were offset by greatly increased production in some other deficit producers, notably Japan.

World export availabilities in 1958 are expected to be less than import requirements. This may further the trend which developed in the fall of 1957 when world prices strengthened some 5 to 10 percent. At the present rate of population increase, the world's rice import requirements will continue to expand at a faster rate than world production.

Because of the spread in prices of rice moving into export channels from various surplus producing areas, the volume of U. S. exports will continue to depend largely on quality, price relationships with competing cereals, and the foreign exchange situation. As long as U. S. and world rice prices remain in their present relationship, any improvement in the world demand/supply position is not likely to be reflected in proportionately increased U. S. exports. At 1957 production levels from about 1.4 million acres, the U. S. export surplus cannot be entirely exported for dollars alone. This can be accomplished only with a continuation of governmental export programs.

Feed Grains.--World exports of feed grains in 1957-58 are not expected to show any reduction from last year's record of 17 million long tons and may even exceed it. The reasons are continued upward trends in livestock numbers in foreign countries; substantially lower corn, oats, and barley crops in major European importing countries; and lower supplies in Europe (than a year ago) of poor quality wheat for feed use.

U. S. feed grain exports in 1957-58 are expected to be close to the 1955-56 record of 7.6 million long tons. The total for 1956-57 was 6.3 million tons. By individual grains, exports in 1957-58, with comparisons for 1956-57 shown in parentheses, are tentatively estimated as follows, in millions of bushels: corn, 180 (154); oats, 26 (27); barley, 65 (62); and grain sorghums 60 (29).

U. S. exporters, however, will meet with keener competition from other exporters than in 1956-57. The reasons are larger export availabilities of corn in such export surplus producing areas as South Africa, the Danube Basin, especially Yugoslavia, and possibly Argentina; continued large export availabilities of barley in Canada; and substantial export availabilities of barley in Iraq, Syria, and Turkey.

## COTTON

The highlight of the 1957-58 season is the indicated high foreign consumption of both U. S. and foreign-grown cotton totaling about 30.5 million bales. Of this, 6 million bales will be U. S. cotton, and 24.5 million bales will be foreign cotton. If these levels materialize, foreign consumption would be a new record for the eighth consecutive year and foreign consumption of U. S. cotton would be the highest in 22 years.

### The United States and Competing Producers

Foreign Producing Areas.--During the past three seasons, foreign production of cotton stabilized at about 25 million bales annually and will probably be about the same in 1957-58. This level is considerably above the 1950-54 average of 21.6 million bales (table 16). The prewar average was less than 18 million bales.

During the 1957-58 crop year, Egypt, India, Pakistan, Brazil, and Peru, traditional cotton producers, are expected to grow about 9.3 million bales, equaling their 1934-38 average. In the 1956-57 season, cotton production dropped below the 1934-38 average in both Egypt and Brazil; these declines were more than offset by gains in India, Pakistan, and Peru. Iron Curtain countries are producing



TABLE 16.--Cotton: World production by areas and U. S. share, year beginning August 1, average 1950-54, annual 1954-57, with comparisons

Area	Average 1950-54	1954	1955	1956 <sup>1</sup>	1957 <sup>2</sup>	Percent 1957 is of 1950-54 <sup>3</sup>
Traditional cotton areas:	<u>1000 bales<sup>4</sup></u>	<u>1000 bales<sup>4</sup></u>	<u>1000 bales<sup>4</sup></u>	<u>1000 bales<sup>4</sup></u>	<u>1000 bales<sup>4</sup></u>	<u>1000 bales<sup>4</sup></u>
Egypt.....	1,705	1,598	1,535	1,492	1,797	92
India.....	3,382	4,322	3,840	4,060	4,300	918
Pakistan.....	1,321	1,300	1,420	1,400	1,400	79
Brazil.....	1,655	1,650	1,700	1,325	1,300	-355
Peru.....	450	491	475	510	500	50
Total.....	8,513	9,361	8,970	8,787	9,297	784
Newer producing areas:						
Near East <sup>5</sup> .....	1,125	1,387	1,390	1,531	1,474	349
South America <sup>6</sup> .....	711	739	761	669	718	7
Africa <sup>7</sup> .....	1,477	1,577	1,671	1,888	1,947	470
Central America <sup>8</sup> .....	159	335	342	379	321	162
Mexico.....	1,333	1,780	2,250	1,790	2,010	677
Total.....	4,805	5,818	6,414	6,257	6,470	1,665
Iron Curtain countries.....	7,759	9,065	8,897	9,170	8,575	816
Other countries.....	477	597	748	736	653	176
Total foreign.....	21,554	24,841	25,029	24,950	24,995	3,425
United States.....	14,093	13,696	14,721	13,310	11,010	-3,083
World total.....	35,647	38,537	39,750	38,260	36,005	358
U. S. percent of world.....	<u>Percent</u> 39.5	<u>Percent</u> 35.5	<u>Percent</u> 37.0	<u>Percent</u> 34.8	<u>Percent</u> 30.6	--

<sup>1</sup>Preliminary. <sup>2</sup>Estimated. <sup>3</sup>Minus sign denotes decrease. <sup>4</sup>Bales of 480 pounds net, or 500 gross weight. <sup>5</sup>Includes Iran, Iraq, Syria, Turkey, Aden, and Afghanistan. <sup>6</sup>Excludes Brazil and Peru. <sup>7</sup>Excludes Egypt. <sup>8</sup>El Salvador, Guatemala and Nicaragua.

about 40 percent more cotton annually than in 1934-38, but data are insufficient to indicate the breakdown by countries.

The most spectacular recent gains in foreign cotton production have taken place in countries which were small-scale producers before World War II. In Mexico, production has increased from an average of 1.3 million in 1950-54 to an average of nearly 2 million bales in the three seasons ending July 31, 1958. Near East and African countries, excluding Egypt, have also shown remarkable increases in cotton production.

No new or dramatic forces have entered the foreign cotton production situation during the past twelve months; however, most of the conditions that have characterized production in recent years continue to exert influence. In areas which have recently expanded rapidly there is evidence of continued increase, but at a less rapid rate. The recent stability of total foreign cotton production may be deceiving, since it is doubtful whether production declines in some countries will continue to offset expansion in others. Foreign production may expand to about 27 million bales in the next five years.

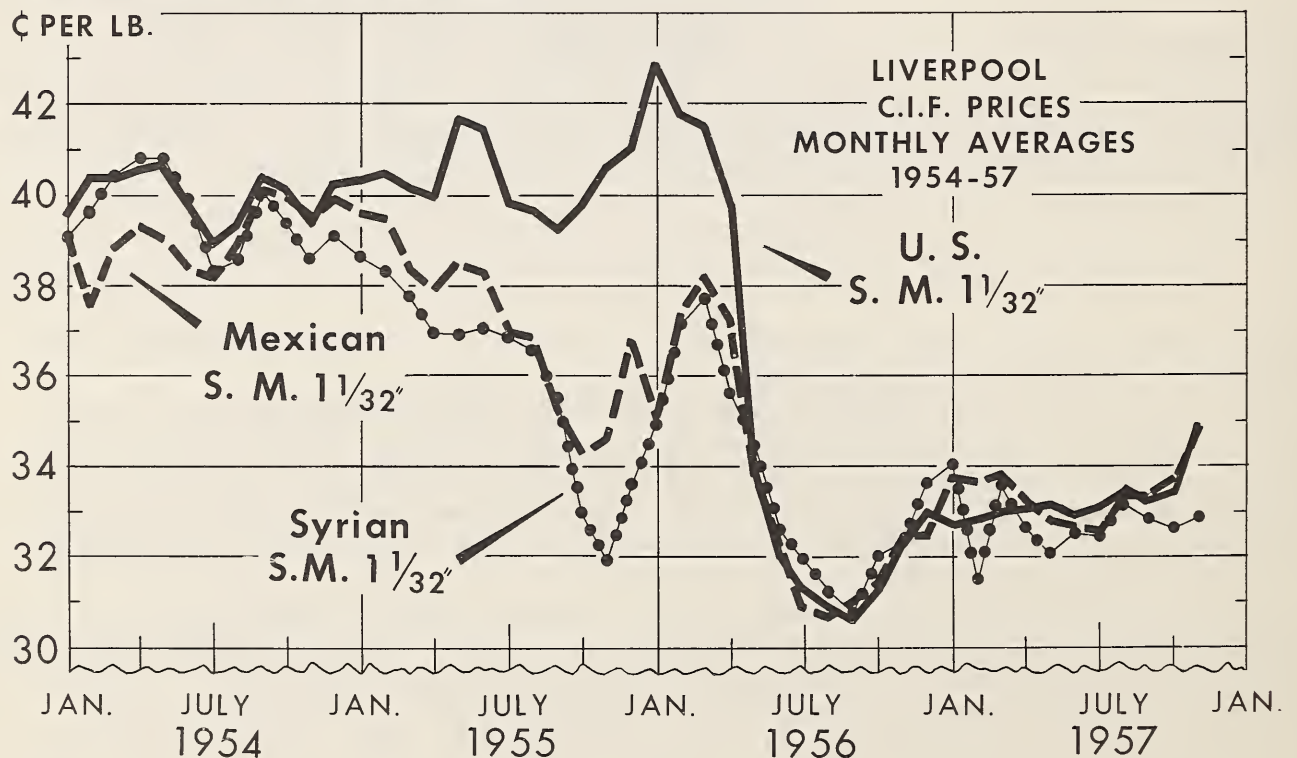
World Cotton Prices and Trends.--By the 1954-55 marketing year foreign cotton production had reached record levels. Cotton as a world commodity promised to supply critically-needed foreign exchange and in many countries represented the best use of their limited resources. At the same time, U. S. support levels provided a floor under world cotton prices and sent U. S. cotton into CCC surplus stocks that were approaching record levels as U. S. exports declined.

Prices of comparable qualities of foreign and U. S. cotton on a c.i.f. basis in consuming centers represent a more effective measure of the competitive position of the several growths than prices in producer countries. As shown in chart 1, Liverpool, England, prices of representative foreign growths dropped early in 1955 as the U. S. carryover approached a record high, surplus disposal programs became imminent, and the market anticipated competitive selling by the United States.

By late 1955, foreign growths undersold American growths by as much as 8 cents per pound. During CCC's special sale of 1 million bales of short staple cotton in January and February 1956, prices of foreign medium staples rose 4 cents per pound as buying interest revived, but declined under selling pressure as CCC sales of all upland staple lengths got underway in April.

In June 1956, as CCC export sales prices became competitive and stabilized at 25 cents for middling 15/16" sales jumped, foreign offerings multiplied, and prices adjusted to lower levels until the bulk of foreign surpluses were liquidated during the summer. By then, 5 million bales of U. S. cotton had been sold for export in a hungry market; a market characterized by (1) increased confidence in

**Chart 1**  
**U. S. Cotton Export Program**  
**Stabilizes World Prices**





the stability of prices resulting from the U. S. export program; and (2) by the adequacy of supplies of all qualities for steadily increasing foreign consumption and for the restoration of more normal stocks in importing countries.

As most foreign surpluses were liquidated, market prices rose 3 to 4 cents and stabilized early in 1957 at relatively high levels. Some 1957-crop foreign cotton was sold six months before it was to reach the market. Effective prices of upland-type cotton remained stable and competitive during 1957 at levels generally higher than those at which foreign cotton sold prior to the start of U. S. export programs.

U. S. cotton export sales programs have restored world market confidence in the stability of prices and in the availability of supplies. This confidence has been reflected (1) in the replenishment of stocks in importing countries to more normal levels; (2) in increased foreign consumption to new record highs; (3) in the disposition of most foreign surpluses at reasonable prices; and (4) in the improvement of cotton's competitive position with man-made fibers.

Review of 1957 Measures of Foreign Producing Countries.--In view of cotton's value as a domestic raw material and its importance in world markets, the governments of many producing countries have adopted measures affecting raw cotton; many of these are incentives for its production and export. Such government measures of the major producing countries were explained in "Competitive Position of United States Farm Products Abroad, 1957."<sup>4</sup>

Additional special measures were taken in 1957. Among the traditional cotton producers, Egypt (1) allowed a premium for cotton exporters who repatriated hard currency; (2) permitted 25 percent of cotton exports to the United States to be sold under barter arrangements for imports of other commodities into Egypt; (3) continued guaranteed prices to growers; and (4) increased the export tax.

Pakistan's legislature enacted the Cotton Act of 1957 which, among other things, provided domestic price regulations and price supports and the establishment of a Cotton Board for the promotion of exports.

The Government of Iran worked on a program to improve grading and packaging, and, with the assistance of the FAO, made a study of cotton varieties best suited to its agricultural resources.

The Indian Government worked through the Indian Central Cotton Committee to develop a production program for the longer staples of upland cotton, which India now imports.

The Turkish Government announced 25 percent increases in support prices for cotton for the 1957-58 season. Later, stocks were frozen and all exports put under government licensing in an attempt to halt the devastating effects on prices and supplies brought about by Turkey's short crop of poor quality.

The Spanish Ministry of Agriculture in October 1957 announced a production incentive subsidy of one peseta per kilogram (1.1 cents per pound) for American-type cotton.

The Brazilian Government established new rates of exchange for textile exports amounting to 103 cruzeiros per dollar or an increase of about 50 percent; funds collected will be set aside for buying textile machinery and equipment.

The Government of Argentina expropriated about 10,000 acres of land to be developed for long staple upland cotton production.

The Government of Colombia established new norms for payment of taxes and duties on locally consumed raw cotton and yarn. Beginning January 1, 1958, amounts so levied reverted to Instituto de Fomento Algodonero to be used exclusively to develop and increase local cotton production.

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<sup>4</sup>Published by USDA, Foreign Agricultural Service, January 1957.

Special measures were also taken by the governments of several smaller cotton producing countries in Latin America.

In Ecuador a national commission began working to discover and encourage adoption of improved, higher yielding varieties. For the crop year 1957-58 the Ministry of Economy fixed quotas of imported and national cotton allotted to each textile concern and maintained producer-prices and prices charged by ginneries. According to the Resolution announcing these regulations, these actions were taken because "it is necessary to continue the policy of increasing, protecting, and improving national cotton production."

In Uruguay, a tax of 2.16 cents per pound was placed on cotton imports, the proceeds to be used for a "Cotton Culture Promotion" program to assist growers.

The Nicaraguan Government established flexible exchange rates for cotton in an effort to mitigate losses resulting from price declines on the world market and to protect its rapidly growing cotton production resources.

Thus, for the most part, during 1956-57 new government-sponsored arrangements for the encouragement of cotton production and exports were instituted in so-called minor producing countries.

Exports by Competing Exporting Countries.--In 1955-56 the price of U. S. cotton was so far out of line with comparable growths that, where possible, foreign buyers turned to less expensive foreign cotton. As a result (1) importing countries absorbed exportable supplies of all foreign free-world countries; (2) U. S. cotton exports in 1955-56 were lower, except for 1947-48, than any other peacetime year since 1871-72; and (3) stocks of U. S. cotton in foreign importing countries were reduced to such low levels that, in some instances, mill operations were probably impaired (table 17). In spite of the general clearing out of exportable stocks in foreign countries, importing countries did not build up stocks of foreign growths in 1955-56 because of their heavy mill consumption. In fact, foreign stocks dropped from 11.3 million bales on August 1, 1955, to 9.6 million bales on August 1, 1956. By August 1, 1957, stocks abroad had increased to 11.6 million bales. During this build-up, foreign-held stocks of U. S. cotton increased three fold, although stocks of non-U. S. cotton increased only about 30 percent, despite the large crop holdover in Egypt, Sudan, and a few minor producing countries.

Egypt and the Sudan failed to move their entire 1956-57 crops of extra-long staple cotton because of the intensification and then the sudden easing of tensions growing out of the Suez dispute. Related to this was the price situation which, during the period of greatest tension, caused producers to hope that brisk demand at high prices would characterize the demand for these growths in the 1956-57 season. However, easing of tensions caused buyer interest to recede, and the demand continued weak despite a downward movement in prices. The result has been the continued delay in the movement of the crops and general price uncertainty.

World trade in cotton has been fairly steady for a number of years and in the five seasons 1950-55 averaged 12.4 million bales, of which 8.7 million were foreign and 3.7 million were U. S. cotton. In 1955-56, despite the lower level of U. S. exports, total world trade in cotton increased to 13 million bales, of which 10.6 million were foreign and 2.3 million were U. S. cotton.

During the 1956-57 season world trade increased to 15.9 million bales, the highest since 1926. Of this total, U. S. cotton accounted for 7.9 million bales--the highest since 1933, and foreign cotton accounted for 8 million bales--the fifth highest year on record. In the 1957-58 season world trade is expected to be about 14.7 million bales. Of this amount, foreign cotton may reach about 9



TABLE 17.--Cotton: World exports by areas and U. S. share, year beginning August 1, average 1950-54, annual 1954-56, with comparisons

Country or area	Average 1950-54	1954	1955	1956 <sup>1</sup>	Percent 1957 is of 1950-54 <sup>2</sup>
Traditional cotton areas:	<u>1,000 bales<sup>3</sup></u>	<u>1,000 bales<sup>3</sup></u>	<u>1,000 bales<sup>3</sup></u>	<u>1,000 bales<sup>3</sup></u>	<u>Percent</u>
Egypt.....	1,347	1,081	1,433	924	-31
India.....	174	207	552	250	44
Pakistan.....	952	634	723	506	-47
Brazil.....	726	1,036	810	380	-48
Peru.....	343	330	487	378	10
Total.....	3,542	3,288	4,005	2,438	-31
Newer producing areas:					
Near East <sup>4</sup> .....	699	849	759	855	22
South America <sup>5</sup> .....	214	148	42	96	-55
Africa <sup>6</sup> .....	1,353	1,376	1,726	1,389	3
Central America <sup>7</sup> .....	103	165	414	280	172
Mexico.....	982	1,253	2,027	1,310	33
Total.....	3,351	3,791	4,968	3,930	17
Iron Curtain countries.....	1,046	1,400	1,400	1,400	34
Other countries.....	146	165	270	251	72
Total foreign.....	8,085	8,644	10,643	8,019	-1
United States.....	4,134	3,585	2,320	7,913	91
World total.....	12,219	12,229	12,963	15,932	30
U. S. as percent of world.....	<u>Percent</u> 33.8	<u>Percent</u> 29.3	<u>Percent</u> 17.9	<u>Percent</u> 49.7	--

<sup>1</sup>Preliminary. <sup>2</sup>Minus sign denotes decrease. <sup>3</sup>Bales of 480 pounds net, or 500 pounds gross weight. <sup>4</sup>Includes Iran, Iraq, Syria, Turkey, Afghanistan, Aden, and Cyprus. <sup>5</sup>Excludes Brazil and Peru. <sup>6</sup>Excludes Egypt. <sup>7</sup>El Salvador, Guatemala, and Nicaragua.

million bales and U. S. cotton 5.7 million bales<sup>5</sup>, which would be 39 percent of the total and which would approach the U. S. prewar share of 41 percent.

### U. S. Cotton in Foreign Markets

Of the 7.9 million bales of cotton exported during the 1956-57 year about 60 percent went to Europe, 20 percent to Japan, and 20 percent to other countries. The countries taking more than 1 million bales each in the order of importance were: Japan, West Germany, and the United Kingdom. The next largest importing nations were Italy, France, Canada, Belgium, India, and the Netherlands.

<sup>5</sup>Equivalent to 5.5 million running bales.

Despite the fact that U. S. exports of cotton and foreign consumption of U. S. cotton have shown significant improvement during the two seasons beginning August 1, 1955, and ending July 31, 1957, there is some basis for apprehension concerning future prospects. Total dollar and gold availabilities outside the U. S. have reversed the several-year climb and have dipped rather sharply. Furthermore, there is a strong concentration of foreign exchange holdings in a comparatively few countries, leaving most countries with rather low balances and under pressure to use dollars for only their most urgent needs.

Reflecting their tight dollar situation, two of the world's largest cotton importing nations, Japan and France, have announced intensions to conserve dollar exchange by reducing imports of U. S. cotton. In both cases, present stocks are above average. In these and other similar situations, a reduction in imports can continue for a period without affecting the rate of cotton consumption, but eventually the rate of imports must be brought into line, or consumption will decline.

An analysis of U. S. cotton in foreign markets reveals economic factors which determine its competitive position. To show how these factors work for or against U. S. cotton, West Germany and France as cotton markets have been selected for detailed review.

West Germany.--Cotton imports into West Germany rose from 884,000 bales in 1951 to 1,596,000 bales in 1956. Except for 1955-56, when U. S. prices were not competitive, the U. S. share of this growing market rose markedly in the past four years, although neither West Germany's total imports nor the U. S. share has equalled those of prewar years. In the marketing year 1956-57, U. S. cotton constituted 58 percent of all imports (table 18). In the immediate future U. S. cotton is expected to hold about 50 percent of the West German market.

TABLE 18.--Cotton: Consumption and imports into West Germany from selected countries of origin, year beginning Aug. 1, 1953-56

Item and country	1953	1954	1955	1956
Consumption .....	<u>1000 bales<sup>1</sup></u> 1,217	<u>1000 bales<sup>1</sup></u> 1,248	<u>1000 bales<sup>1</sup></u> 1,316	<u>1000 bales<sup>1</sup></u> <sup>2</sup> 1,424
Imports:				
United States .....	377	381	90	927
Brazil .....	214	193	74	29
Egypt .....	128	93	90	59
India .....	7	8	15	5
Mexico .....	89	140	411	174
Pakistan .....	35	19	40	10
Peru .....	55	51	76	66
Sudan .....	26	17	60	32
Syria .....	39	31	29	6
Turkey .....	67	54	28	24
Other .....	227	224	363	264
Total Imports .....	1,264	1,211	1,276	1,596
U.S. percent of total .....	<u>Percent</u> 29.8	<u>Percent</u> 31.5	<u>Percent</u> 7.1	<u>Percent</u> 58.1

<sup>1</sup>480 pounds net or 500 pounds gross weight.   <sup>2</sup>Preliminary.



The ability of the United States to regain more than half of the West German cotton market has been due to: (1) the 1956 U. S. export sales program; (2) the use of U. S. cotton for rebuilding stock following inauguration of the program; (3) regaining of confidence by buyers in West Germany to the point where they were willing to buy cotton on a more normal basis than in the 1955-56 crop year; and (4) the steady and dependable supply of the required qualities of U. S. cotton.

In the 1956-57 marketing year, cotton one inch and longer comprised 95 percent of all U. S. cotton shipments to West Germany. In view of the high productivity of German mill equipment and the necessity for maintaining its optimum use as labor and other production costs rise, mill operators cannot afford to buy low-priced inferior cotton.

In addition to the price, supply, and quality of U. S. cotton, other economic factors affect U. S. cotton's competitive position in West Germany. West Germany's imports are determined largely by commercial considerations. With no dependent territories to get preferential treatment, West Germany imports under the best conditions that its traders can negotiate. Thus, German cotton buyers bought heavily from Brazil and Mexico when U. S. cotton was non-competitive in price or short in supply.

Germany's foreign exchange position is excellent. In fact, gold and dollar reserves rose from \$1.5 billion on June 30, 1954, to considerably more than \$3.7 billion on June 30, 1957. West Germany is able to import cotton without exchange controls or other types of limiting regulations. There is no tariff on raw cotton, although a 13 percent ad valorem duty applies to imports of rayon staple fiber.

The expanding economy of West Germany is reflected in its improved standard of living, which has resulted in increased consumption of textiles. In 1938 the per capita consumption of cotton, wool, and rayon totaled 17.3 pounds. They accounted for 7.3, 2.9, and 7.1 pounds, respectively. In 1955 per capita consumption was 22.5 pounds and the consumption rose to 11, 4.4, and 7.1 pounds, respectively. While there was no increase in rayon consumption, there was an increase of over 50 percent in that of cotton. During 1956-57 the use of rayon staple and rayon filament yarn in Germany dropped, but the use of noncellulosic fiber expanded. This changing trend is particularly significant.

Before World War II, Germany had one of the highest rayon consumption rates in Europe due to Government-forced use of poor quality man-made textiles to reduce cotton imports. Consumer resistance to man-made fiber products is still evident and German consumers have recently indicated a decided preference for high quality cotton goods. The drop in rayon's popularity is in marked contrast to all other West European countries except Italy. To some extent, it is probably due to lower cotton prices while in recent years rayon staple prices have held steady. The required prewar use of poor quality man-made textiles may also account in no small measure for their reception to good quality cottons at present.

The United States probably can maintain and even improve its present position in West Germany if certain additional conditions can be met. Trade in cotton free of U. S. government control, an effective futures market, and the ability to hedge purchases, adequate supplies, and grades of cotton are important to German buyers. They also attach great significance to the stability and confidence that would come from a one-price system.

France.--France is traditionally the second or third most important market for U. S. cotton. The United States is usually the most important supplier of raw cotton for its vital textile industry.

In the 1935-39 crop years, the United States supplied an average of 52 percent of France's raw cotton needs. During the 1955-56 season, the U. S. share

TABLE 19.--Cotton: Consumption and imports into France from selected countries of origin, year beginning Aug. 1, 1953-56

Item and country	1953	1954	1955	1956 <sup>1</sup>
	<u>1,000 bales<sup>2</sup></u>	<u>1,000 bales<sup>2</sup></u>	<u>1,000 bales<sup>2</sup></u>	<u>1,000 bales<sup>2</sup></u>
Consumption .....	1,330	1,263	1,220	1,380
Imports:				
United States .....	451	443	195	422
French Colonies .....	157	194	208	205
Brazil.....	117	65	41	29
Egypt .....	205	146	151	61
Greece .....	15	18	51	103
India .....	10	13	17	7
Mexico .....	4	13	40	94
Pakistan .....	73	40	88	93
Peru .....	26	29	35	40
Sudan .....	29	31	32	23
Syria .....	100	148	174	100
Turkey .....	52	59	58	86
Other .....	75	136	131	<sup>3</sup> 313
Total .....	1,314	1,335	1,221	1,576
U.S. percent of total .....	<u>Percent</u> 34.3	<u>Percent</u> 33.2	<u>Percent</u> 16.0	<u>Percent</u> 26.8

<sup>1</sup>Preliminary. <sup>2</sup>Bales of 480 pounds net, or 500 pounds gross weight. <sup>3</sup>Includes 65,008 bales from Iran; 36,803 from U.S.S.R.; 61,302 from Belgian Congo; 40,987 from Uganda; and 56,429 from Central America.

of France's cotton imports was only 16 percent, but it climbed to 27 percent in the next marketing year (table 19). Since World War II, the volume of U. S. cotton taken by France has been governed largely by France's dollar position and the quantity of cotton available under U. S. aid and surplus disposal programs. In the 1955-56 crop year the importance of these factors was overridden by the level of U. S. cotton prices, which were 10 to 20 percent above comparable grades and staples from other sources. Thus, U. S. cotton was actually priced out of the French as well as other markets.

Before June 1957 France had liberalized imports of cotton from countries associated with the Organization for European Economic Cooperation (OEEC). In addition, it had bilateral trade agreements with about 50 countries, some of which provided France with substantial quantities of cotton. For example, Greece supplied over 100,000 bales of cotton in the 1956-57 crop year, whereas before 1950 Greek production barely met domestic requirements.

Through barter arrangements with Mexico, France imported 94,000 bales during the 1956-57 crop year, its second largest import of Mexican cotton. In addition, cotton imports from French colonies have risen from the prewar average of less than 3 percent of total imports to between 10 to 20 percent in recent years. This reflects the rapidly expanded production of those areas and the preferential treatment given cotton from French overseas territories.

The French dollar and gold reserve situation worsened considerably in 1956-57. As a result, the French Government reimposed quantitative restrictions on imports from foreign countries, tightened dollar imports, and rescinded the liberalization applying to OEEC countries. The final step of franc devaluation that applied to cotton in October increased the cost of cotton in the French market. France's imports during the coming year will continue to be dominated by its



TABLE 20.--Cotton: Supply and distribution in France, year beginning Aug. 1, 1955-57

Item	1955 <sup>1</sup>	1956 <sup>1</sup>	1957 <sup>2</sup>
	<u>1,000 bales<sup>1</sup></u>	<u>1,000 bales<sup>1</sup></u>	<u>1,000 bales<sup>1</sup></u>
Supply, Aug. 1.....	390	365	556
Imports.....	1,221	1,576	1,170
Total.....	1,611	1,941	1,726
Distribution:			
Consumption.....	1,220	1,380	1,400
Re-exports and other disappearance.....	26	5	0
Stocks, July 31.....	365	556	326
Total.....	1,611	1,941	1,726

<sup>1</sup>Estimated. <sup>2</sup>Forecast. <sup>3</sup>478 pound bales net, or 500 pounds gross weight.

serious foreign exchange situation, and the prospect for a high level of U. S. imports is not bright.

The outlook for 1957-58 is for a continued high level of consumption which, because of the tightening of import regulations, will be accompanied by a reduction in imports and consequently a reduction in stocks (table 20).

According to the French Government plans, cotton imports will total only 1,170,000 bales. This would reduce stocks below a normal working level. It is expected that about 400,000 bales will be imported from the United States, provided a substantial portion can move under some sort of U. S. Government program. Thus, even though France's total cotton imports for 1957-58 may be reduced by about 25 percent from the 1956-57 level, the U. S. share may be larger.

Under the protection of the tight licensing and exchange control system that has existed for several years France's man-made fiber industry has shown great progress. Output has expanded from 171 million pounds in 1952 to 267 million pounds in 1956, an increase of 56 percent. It is particularly significant that the greatest actual increase in production has occurred in rayon staple, which can be substituted for cotton in many end-uses.

Per capita consumption of cotton, wool and rayon<sup>6</sup> fibers in France rose 18 percent from 1938 to 1955; but cotton's share of the total dropped from 66 percent to 62 percent while rayon's share increased from 7 percent to 19 percent. France plans a further substantial increase in the man-made fiber industry. The curtailment of U. S. cotton imports for dollars will conserve foreign exchange, but expansion of rayon production will increase foreign exchange expenditures for imported wood pulp. U. S. cotton, however, will face keen competition from the man-made fiber industry.

The most important problem facing U. S. cotton in France is the shortage of dollar exchange there. As long as France can obtain cotton from soft currency areas, it is likely that dollar purchases from the U. S. during the 1957-58 marketing year will be small. French mill operators want to buy more U. S. cotton but they are forced to buy from other sources, even though prices are frequently higher and quality less desirable.

## TOBACCO

### International Trade Levels and Trends

World exports of unmanufactured tobacco reached a new high of 1,585 million pounds in 1956. Little change is expected in 1957. U. S. exports in 1957 are

<sup>6</sup>Rayon filament and staple.

expected to be 20 million pounds below those of 1956, while exports of foreign countries are expected to rise by a similar amount.

This downward trend in U. S. exports is expected to continue, because of: (1) sharply rising production of foreign cigarette leaf, particularly flue-cured and oriental; (2) improvement in quality of foreign leaf; (3) increasing use of bilateral trade agreements; (4) recent sharp increases in import duties and excise taxes on tobacco by some countries; (5) expected continuing increases in prices of U. S. Burley and flue-cured leaf; (6) expected continuation of dollar and gold reserve difficulties in some tobacco importing countries.

The major problems facing U. S. tobacco exports arise from actions taken by other countries.

Over three-fourths of all foreign tobaccos (excluding U. S. imports) entering international trade are covered by bilateral agreements, guaranteed purchase arrangements, preferential import duties or other controls which virtually exclude U. S. leaf. The use of these bilateral arrangements to cover tobacco exports of foreign countries, mostly in exchange for manufactured items, have increased greatly since World War II.

In some countries, including Japan, Australia, and the Philippines, prices of domestic leaf are well above those received for comparable qualities of U. S. tobaccos. Self-sufficiency policies of these areas do not permit greater imports of U. S. leaf. Other countries limit imports of U. S. tobacco through foreign exchange controls.

An important factor in the declining U. S. competitive position is the recent sharp increase in prices of U. S. Burley and flue-cured. The rises in cost of the heavier popular export grades are due chiefly to increasing U. S. demand for filter-tip cigarettes. These rising prices encourage both foreign production and use of lower priced foreign tobaccos.

In 1956 some of the U. S. flue-cured crop was undesirable varieties. To improve this situation, the U. S. Government took measures which practically eliminated production of these in 1957.

### Foreign Production Increasing Much Faster Than That of United States

World production at 8.3 billion pounds in 1957 was the third highest on record, being slightly below the 1955 and 1956 levels. Foreign production continued its rise, reaching an all-time high of 6.68 billion pounds. During the 20-year period from 1937 to 1957, world production increased about 1.25 percent per year. U. S. production rose about 35 percent from 1937 to 1947 while foreign production increased 25 percent. However, since the 1947-51 period U. S. production has decreased and foreign production has expanded 30 percent (table 21).

### Foreign Exports Continue to Rise as U. S. Exports Decline

During the 1947-51 period total exports of foreign countries were about the same as prewar, while U. S. exports were about one-sixth above prewar. Since 1950, international trade in tobacco rose about 400 million pounds. All of this increase was due to larger foreign exports. In 1957, U. S. exports were about 490 million pounds, or one-sixth above the prewar level. Total exports of other countries are estimated at 1,095 million pounds, or 52 percent above prewar. This increase was due to greater exports of flue-cured and oriental tobaccos. Nearly all of the increase in flue-cured exports came from the Federation of Rhodesia and Nyasaland, India, Canada, and China mainland. Practically all of



TABLE 21.--Tobacco: World production, average 1947-51, annual 1955-57

(Farm sales weight)

Country or area	Average 1947-51	1955	1956	1957
	<u>Billion pounds</u>	<u>Billion pounds</u>	<u>Billion pounds</u>	<u>Billion pounds</u>
United States .....	2.08	2.19	2.18	1.68
Foreign .....	5.13	6.24	6.42	6.68
Total world .....	7.21	8.43	8.60	8.36

the exports of oriental were from Turkey, Greece, Bulgaria, and Yugoslavia (table 22).

The U. S. tobacco export problem is not a new one. It started before World War II, but recently has become more acute. U. S. leaf tobacco prices have long been above foreign prices. Superior quality of U. S. flue-cured and Burley delayed the

day of reckoning. However, recent increases in U. S. prices have made the competitive position worse.

Import duties and excise taxes in some countries have always been serious deterrents to U. S. tobacco exports. Duties increased in some importing countries in recent years, particularly in 1957. Impediments to U. S. tobacco exports have increased sharply since World War II. Bilateral trade agreements, preferential import duties<sup>7</sup>, licensing arrangements and foreign exchange controls are among the most important. In many countries the policy of reducing the expenditures of dollars for the purchase of tobacco has encouraged foreign production and exports.

The United States is now feeling the full effects of these factors and foreign production is rising faster than foreign demand. U. S. cigarette leaf is still superior in quality, but U. S. prices are higher than those for foreign growths. Many foreign importers have a wider choice of areas from which to buy leaf and are willing to buy and use the lower quality foreign leaf to keep down manufacturing costs.

TABLE 22.--Tobacco, unmanufactured: World exports and U.S. share, average 1947-51, annual 1952-57<sup>1</sup>

(Declared export weight)

Country or area	Average 1947-51	1952	1953	1954	1955	1956	1957 <sup>2</sup>
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>
United States .....	486	396	519	454	540	510	490
Foreign .....	714	834	876	961	1,025	1,075	1,095
Total world .....	1,200	1,230	1,395	1,415	1,565	1,585	1,585
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
U.S. percent of world .....	40.5	32.2	37.2	32.1	34.5	32.2	30.9

<sup>1</sup>Excluding re-exports. <sup>2</sup>Estimated.

<sup>7</sup>Import duties that are lower on tobacco from dependent territories or members of special currency clearing arrangements.



The unfavorable competitive position of the United States is further shown by the fact that foreign tobaccos are available for purchase without using scarce dollars which are often used primarily to buy U. S. manufactured items rather than tobacco and other agricultural products.

The important unpredictable element in the future of U. S. exports is the changes in cigarette blends resulting from shifts in consumer demand.

Most flue-cured tobacco from foreign exporting countries is more or less neutral in regard to flavor. Nearly all neutral leaf has been used in cigarettes; however, with the increasing use of filter-tip cigarettes, there is greater demand for tobacco with more flavor.

Nearly all of the recent increases in foreign exports of flue-cured except from Mainland China have been from British Commonwealth countries. A high proportion of this has been sold under preferential tariffs to the United Kingdom, Australia, Union of South Africa and British territories. Recently there has been a decline in use of straight, oriental-type cigarettes. Demand has shifted to blended cigarettes except in a few countries of East Europe.

### Competition by Type of Tobacco

While the keenest competition in any market is between suppliers of a particular type of tobacco, there is also competition between the various types. The competition between these is discussed below:

Flue-Cured.—The largest increase in world production and exports of leaf in recent years has been in the flue-cured type. Most of this increase for export has been in the Federation of Rhodesia and Nyasaland, Canada, India, and Mainland China.

Foreign production of flue-cured in the Free World is now twice the 1947-57 average rising from 516 million pounds to 1,084 million pounds in 1957. Production in the three major foreign exporters of the Free World, Canada, India, and Federation of Rhodesia and Nyasaland, has risen from a 1947-51 average of 278 million pounds prewar to a high of 466 million in 1956. From prewar until about 1950, production in Communist China rose very little but has more than doubled since that time. The U. S. share of world production of flue-cured has declined from 61 percent in 1947-51 to 37 percent in 1957 (table 23).

Flue-Cured Exports.—Although the United States has shared in increased international trade in flue-cured since World War II, most of the rise has been accounted for by foreign exporters. U. S. exports of flue-cured rose from an average of 388 million pounds in 1947-51 to 420 million in 1956, while foreign exports increased from about 144 million pounds to 400 million pounds in the same period. The level of U. S. exports has not risen since 1951 while exports of foreign countries have increased from about 193 million to 402 million pounds (table 24).

Foreign countries now account for approximately 50 percent of total world exports of flue-cured compared with only 27 percent in 1947-51.

Even with increasing foreign consumption, competition for world flue-cured markets will continue to increase.

Flue-Cured Prices.—Export prices of flue-cured in 1957 for all major free-world exporters (1957 data for India not available) rose significantly over 1956 levels (table 25).

U. S. average export prices are above those of foreign exporters, but the relationship of average U. S. export prices to the average export prices of major foreign competitors has changed very little since 1951 (except Rhodesian prices in 1956 which were very low due to a large crop of poor quality).

TABLE 23.--Tobacco, flue-cured: World production by areas and U.S. share, average 1947-51, annual 1952-57

Country or area	Average 1947-51	1952	1953	1954	1955	1956	1957
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>
United States .....	1,246	1,365	1,272	1,314	1,483	1,423	970
Foreign:							
Free World:							
Canada .....	112	132	132	173	118	149	154
India .....	65	75	111	130	128	139	128
Rhodesia and Nyasaland ....	91	112	119	133	133	178	147
All Others .....	248	307	369	439	512	579	644
Total .....	516	626	731	875	891	1,045	1,084
Others:							
China mainland .....	250	485	470	485	500	525	540
Soviet Bloc .....	27	30	33	35	37	52	70
Total World .....	2,039	2,506	2,506	2,709	2,911	3,045	2,684
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
U.S. percent of World .....	61	54	51	49	51	47	37

TABLE 24.--Tobacco, flue-cured: World exports by areas and U.S. share, average 1947-51, annual 1951-56<sup>1</sup>

(Export weight)

Country or area	Average 1947-51	1951	1952	1953	1954	1955	1956
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>
United States .....	388	434	319	444	375	456	420
Foreign:							
Canada .....	20	28	37	27	31	46	29
India .....	40	70	50	50	60	83	84
Rhodesia and Nyasaland ....	72	77	98	90	108	106	139
China mainland .....	1	-	-	20	50	100	110
Others .....	11	18	22	24	23	23	40
Total foreign .....	144	193	207	211	272	8	402
Total world .....	532	627	526	655	647	814	822
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
U.S. percent of world .....	73	69	61	68	58	56	51

<sup>1</sup>Estimated.



TABLE 25.--Tobacco, flue-cured: Comparative export prices, selected countries, 1950-57

Year	United States	Federation of Rhodesia & Nyasaland	Canada	India
	U.S. cents per pound	U.S. cents per pound	U.S. cents per pound	U.S. cents per pound
1950 .....	53.5	<sup>1</sup> 54.5	49.8	( <sup>2</sup> )
1951 .....	64.5	<sup>1</sup> 56.5	56.8	( <sup>2</sup> )
1952 .....	63.1	<sup>1</sup> 59.8	58.3	34.3
1953 .....	66.8	61.3	55.8	33.9
1954 .....	68.9	58.3	57.3	30.2
1955 .....	67.3	61.4	57.3	28.6
1956 .....	66.6	50.6	58.6	<sup>3</sup> 30.0
1957 .....	<sup>4</sup> 69.7	<sup>4</sup> 65.8	<sup>4</sup> 61.7	( <sup>2</sup> )

<sup>1</sup>Southern Rhodesia. <sup>2</sup>Not available. <sup>3</sup>9 months. <sup>4</sup>6 months.

Rhodesian and Nyasaland farm prices rose sharply to an equivalent of 46 U. S. cents per pound in 1957 partly reflecting a smaller and better quality crop in Rhodesia, and expectation of a smaller crop in the United States. Canadian prices by grade are expected to be higher for the 1957 crop, but the average price may not increase proportionately as quality was below normal.

Prices received by U. S. farmers through October 1957 averaged 55.7 cents per pound, a rise of about 7.5 percent above a similar period in 1956. This rise, though significant, is much less than anticipated earlier, partly because of the composition of the grades produced.

Most of the U. S. 1957 crop was very good export leaf. With a smaller proportion of the higher priced domestic grades produced in 1957 (which were above normal in 1955 and 1956), demand by domestic buyers did not exert the upward pressure on prices that occurred in the previous two years.

The level of exports of U. S. flue-cured are hard to maintain because of lower prices of foreign leaf; rising foreign production; preferential import duties in the United Kingdom, Australia and British West Indies; bilateral arrangements by many importing countries; and restrictions on use of dollar exchange.

Burley.—Exports of U. S. Burley have increased for many years, but because of the recent sharp rise in U. S. prices, this has stopped and may decline. U. S. Burley is superior in flavor and aroma to foreign leaf and there is a strong and increasing demand, especially in West Europe, for blended cigarettes containing U. S. Burley. However, the recent U. S. price increases, because of rising domestic demand, especially for the heavier, flavorful, popular export grades, have harmed the U. S. competitive position in world markets. They have caused some foreign manufacturers to curtail plans for the expanded use of U. S. Burley and will encourage foreign production of Burley.

World production in 1957 amounted to 583 million pounds compared to 609 million pounds in 1947-51 and 339 million pounds prewar. Foreign production in 1957 was 102 million pounds compared with 56 million pounds in 1947-51 and 23 million pounds prewar (table 26).

Most of the increasing foreign production of Burley has been in the important importing countries of Spain, Italy, West Germany, Mexico, and Japan.

Burley Exports.—Italy, Nyasaland, India, Japan, Canada, Morocco, Brazil, and Cuba export small quantities of Burley and are expanding production for export. Cuban production in 1958 is expected to be 4.5 million pounds, compared to one million pounds in 1957. Canadian production expanded sharply in 1957 and further expansion is planned. Southern Rhodesia is producing experimental crops.



TABLE 26.--Tobacco, Burley: World production by areas,  
average 1947-51, annual 1952-57

Country	Average 1947-51	1952	1953	1954	1955	1956	1957
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>
United States.....	552.7	650.1	546.4	667.2	470.0	506.4	483.3
Foreign:							
Italy.....	13.7	13.1	15.3	15.4	16.5	19.4	22.0
Spain.....	6.5	--	19.6	19.6	29.6	24.5	24.5
Western Germany.....	5.5	10.9	11.3	12.9	16.0	16.9	14.1
Canada.....	10.0	2.4	1.7	4.5	7.0	7.0	7.5
Japan.....	9.0	5.0	4.1	3.4	5.5	7.6	10.0
Brazil.....	2.0	4.3	3.0	3.5	3.6	3.3	3.3
Nyasaland.....	1.0	1.0	1.8	1.8	2.0	2.3	2.1
Others.....	8.5	13.0	37.7	16.9	15.3	14.4	18.5
Total foreign.....	56.2	49.7	94.5	78.0	95.5	95.4	102.0
World total.....	608.9	699.8	640.9	745.2	565.5	601.8	585.3

**Burley Prices.**—The prices of foreign competitive exports of Burley averaged between 30 and 45 cents per pound during the period 1953 to 1956. Prices of late 1957 shipments from Japan, Canada and Italy were well above those in 1956. Meanwhile, U. S. export prices rose 40 to 50 percent from 1954 to 1957.

Because of the unusual weather in 1955 and 1956, U. S. crops contained more than normal proportions of the light cigarette grades. This fact, combined with increased use of the heavier grades of U. S. filter-tips, priced some foreign buyers out of the U. S. market.

With a return to more normal weather in 1957, the U. S. crop contained the usual proportion of the traditional export grades. This and other factors may result in an easing of prices for some popular export grades (table 27).

More foreign Burley is likely to be produced in the next few years. Much of the foreign Burley is somewhat neutral and lower in quality than U. S. leaf, but foreign buyers will purchase it if prices are significantly below U. S. prices.

TABLE 27.--Tobacco, Burley: Comparative export prices, selected countries, 1950-57

Year	United States	Canada	Italy	Nyasaland
	<u>U. S. cents per pound</u>	<u>U. S. cents per pound</u>	<u>U. S. cents per pound</u>	<u>U. S. cents per pound</u>
1950.....	40.5	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
1951.....	46.9	39.7	32.7	( <sup>1</sup> )
1952.....	53.9	44.9	( <sup>1</sup> )	( <sup>1</sup> )
1953.....	52.2	44.2	32.8	( <sup>1</sup> )
1954.....	51.4	44.0	31.4	( <sup>1</sup> )
1955.....	55.9	43.0	35.5	42.7
1956.....	58.7	41.6	( <sup>1</sup> )	39.7
1957 <sup>2</sup> .....	76.1	42.2	( <sup>1</sup> )	<sup>3</sup> 56.6

<sup>1</sup>Not available. <sup>2</sup>January-July. <sup>3</sup>Approximately 58 percent of exports were in the form of strips at an average price of 66 cents per pound.

Maryland.—The export outlook of U. S. Maryland-type tobacco is good. The only foreign exporter of this type is the French territory of Madagascar and practically all of this is sold to France. U. S. prices are competitive with other types of cigarette leaf, and demand is increasing for Maryland-type cigarettes. Several foreign manufacturers plan to use more Maryland tobacco if current price relationships continue.

Dark Fire-Cured.—Nyasaland and Italy are the major U. S. competitors in the foreign sales of fire-cured. World consumption continues to decrease because of the declining demand for products in which it is used. The U. S. share of this declining market is likely to decrease further. Nyasaland, however, has shown important gains in certain areas of Africa and Netherlands. The U. S. prices are well above foreign prices. The export prices of fire-cured from Nyasaland are about half the U. S. price of Virginia fire-cured and 60 percent of the U. S. price of Kentucky-Tennessee-type fire-cured. However, the U. S. has recently divorced the support prices for the dark types produced after 1957 from their direct relationships to Burley support prices.

Dark Air-Cured and Sun-Cured.—Like fire-cured, U. S. exports of the dark air-cured types are not competitively priced. Although quality of U. S. leaf is superior, the lower foreign prices encourage foreign sales at the expense of U. S. exports. The main foreign competitors are Colombia, Dominican Republic, Nyasaland and Brazil.

The U. S. is facing increasing competition in the African markets for Black (semi-processed leaf). Nyasaland has recently increased sales at the expense of the U. S. in French possessions of Africa. Ghana, another important U. S. market, is making efforts to expand domestic production.

Prices.—The U. S. average export prices for these dark types are well above those of its competitors. Special sales arrangements for some U. S. one-sucker and Green River contributed to lowering U. S. export prices in 1955 and 1956 (table 28).

Although U. S. price supports have been a factor in the unfavorable U. S. export situation, other important problems are: (1) shrinking world markets for these types of leaf; and (2) lower costs of production in the foreign exporting countries.

TABLE 28.—Tobacco, dark: Comparative export prices, selected countries, 1950-56

Kind and exporting country	1950	1951	1952	1953	1954	1955	1956
	<u>U. S.</u> <u>cents</u> <u>per</u>	<u>U. S.</u> <u>cents</u> <u>per</u>	<u>U. S.</u> <u>cents</u> <u>per</u>	<u>U. S.</u> <u>cents</u> <u>per</u>	<u>U. S.</u> <u>cents</u> <u>per</u>	<u>U. S.</u> <u>cents</u> <u>per</u>	<u>U. S.</u> <u>cents</u> <u>per</u>
	<u>pound</u>	<u>pound</u>	<u>pound</u>	<u>pound</u>	<u>pound</u>	<u>pound</u>	<u>pound</u>
Fire-cured:							
United States (Va. type).....	53.0	59.0	63.7	64.6	62.5	62.4	61.8
United States (Ky.-Tenn.).....	41.0	39.7	47.8	49.0	50.7	52.6	51.9
Nyasaland (Ky.) <sup>1</sup> .....	30.6	23.8	27.9	27.7	26.1	30.4	29.8
Italy (Ky.).....	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	24.5	23.5	( <sup>2</sup> )
Dark air or sun-cured:							
United States (Green River).....	44.9	27.7	46.9	30.2	35.6	43.5	34.7
United States (One Sucker).....	55.6	46.4	76.1	65.9	39.1	23.6	26.8
Nyasaland <sup>1</sup> .....	34.3	32.3	32.7	34.6	29.4	34.6	( <sup>2</sup> )
Colombia.....	10.5	11.2	12.2	12.3	11.7	11.3	( <sup>2</sup> )
Dominican Republic.....	14.8	16.3	15.7	18.7	18.1	16.9	17.2

<sup>1</sup>Federation of Rhodesias and Nyasaland since 1953. <sup>2</sup>Not available.



Cigar Types.—U. S. exports of cigar wrapper are high and are likely to continue. However, exports of cigar binder are being harmed by the increased use of homogenized binder, making possible the use of stems, lower quality filler and scrap. U. S. exports of cigar filler have always been small and the current level is expected to continue. U. S. cigar wrapper and binder are competitive in price with foreign leaf of similar quality; prices of U. S. filler are far above the price of foreign leaf, especially from the Dominican Republic, Colombia, Brazil, Cuba, Philippines, and Algeria.

## Foreign Markets for U. S. Tobacco

The United States exports unmanufactured tobacco to about 100 countries and territories, but in recent years about 75 percent has gone to West Europe. Approximately 45 percent of U. S. exports are taken by the United Kingdom and West Germany.

West Europe.—Since the war, there has been a loss of about 60 million pounds annually of U. S. tobacco exports to the United Kingdom and France. This has been more than offset by gains of 75 to 80 million pounds in exports to West Germany, Netherlands, Belgium, Switzerland, Ireland, Denmark, Austria, Spain, Italy and Finland. However, the use of U. S. tobacco remains at the 1950-51 levels, while imports from other areas have expanded by 110 million pounds, or 30 percent.

In 1956, the level of factory use of U. S. leaf was about the same as in 1950 (360 million pounds) despite an over-all increase of nearly 200 million pounds in the use of foreign tobaccos during this period. This has been met by increased production in the area and greater imports from non-U. S. sources. The U. S. share declined from 37 percent in 1950 to 30 percent in 1956.

The drive toward self-sufficiency has been augmented by production incentives, protective tariffs and other measures. Increased consumption of non-U. S. imported leaf has been encouraged by expanding bilateral trade arrangements, purchase agreements and colonial preferences (table 29).

Far East.—Important gains have been recently made in U. S. exports to Australia, New Zealand, Indonesia, Japan, Thailand, Korea, and Vietnam. However, since 1950 the U. S. has shipped no tobacco to the formerly important

TABLE 29.--Tobacco, unmanufactured: Estimated consumption in West Europe<sup>1</sup> 1950-56

(Export weight)

Year	Total	Domestic	Imported			U. S. share	
			Total	United States	Other	Total	Imported
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Percent</u>	<u>Percent</u>
1950.....	985	247	738	360	378	36.5	48.8
1951.....	1,050	287	763	356	407	33.9	46.7
1952.....	1,032	282	750	345	405	33.4	46.0
1953.....	1,073	300	773	331	442	30.8	42.8
1954.....	1,131	315	816	335	481	29.6	41.1
1955.....	1,147	311	836	348	488	30.3	41.6
1956.....	1,176	329	847	358	489	30.4	42.3

<sup>1</sup>Excludes Greece and Yugoslavia.



market of Communist China. Since the self-sufficiency program in tobacco production was started by the Philippines in 1951, imports of U. S. leaf have decreased from 29.7 million pounds in 1952 to less than 100,000 pounds in 1957. Much of the recent increase in exports to Asia has been achieved through U. S. aid programs.

Africa.—U. S. exports to Egypt, Nigeria, Belgian Congo, and British East Africa have risen in the past 20 years. Although these gains have occurred, the outlook for U. S. exports is not good as most areas of Africa are expanding production. Most British and French import areas have preferential import duties or currency clearing arrangements which encourage imports from other British or French tobacco exporting areas.

Latin America.—While not spectacular in individual cases, increased U. S. exports to some countries in South and Central America have not only overcome the decreased shipments to Argentina, Jamaica and the British West Indies, but have increased U. S. exports two million pounds above prewar.

To show how the competitive factors work for or against U. S. exports, in specific foreign markets, United Kingdom and New Zealand markets have been selected for detailed review.

United Kingdom.—Although exports to the United Kingdom are declining, it is still the largest foreign market for U. S. leaf. Imports by the United Kingdom from all sources rose from an average of 275 million pounds in 1934-38 to an average of 323 million pounds in 1953-56, or an increase of 17.5 percent. Imports from British Commonwealth countries rose from 56 million pounds annually in 1934-38 to 144 million pounds in 1953-56. However, in this period, imports from the United States dropped from 201 million pounds to 169 million pounds. This decline was caused primarily by a preferential import duty in favor of British Commonwealth leaf amounting to a difference of 21.5 U. S. cents per pound. In addition, the Federation of Rhodesia and Nyasaland were given long-term purchase agreements for the import of a minimum of 80 million pounds annually if quality and price are satisfactory. Also, more recently the United Kingdom adopted a policy of importing not more than 61 percent of its tobacco from dollar areas (including Canada). If these policies continue, the U. S. share of U. K. tobacco imports probably will continue to decline (table 30).

New Zealand.—New Zealand is a small but important and dependable market for high quality U. S. leaf. Total imports rose from an average of 5.5 million pounds in 1946-50 to 7.6 million in 1955 and all of the increase was from the United States. The favorable U. S. position in this market is due to the fact that New Zealander's consumers are very discriminating smokers and prefer cigarettes made from the high quality American leaf. New Zealanders likely will

TABLE 30.--Tobacco, unmanufactured: Imports into the United Kingdom, total and by areas, acreage 1946-50, annual 1951-56

Year	Total imports	United States	Commonwealth	Other
	<u>Million pounds</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Av. 1946-50.....	323.1	64.2	31.4	4.4
Annual:				
1951.....	355.1	60.0	37.1	2.9
1952.....	223.7	29.9	64.1	6.0
1953.....	315.8	55.2	40.2	4.6
1954.....	312.5	51.1	44.6	4.3
1955.....	343.8	51.9	43.5	4.6
1956.....	318.4	50.3	46.2	3.5

TABLE 31.--Tobacco, leaf: Production, imports and consumption in New Zealand, average 1946-50; annual 1951-57

Year	Production <sup>1</sup>	Imports		Consumption <sup>2</sup>
		Total leaf	U. S. leaf	
Av. 1946-50.....	<u>1,000</u> pounds 4,654	<u>1,000</u> pounds 5,467	<u>1,000</u> pounds 5,451	<u>1,000</u> pounds ( <sup>3</sup> )
Annual:				
1951.....	5,436	6,524	6,517	9,681
1952.....	4,088	6,764	6,742	10,257
1953.....	4,797	5,140	5,139	10,268
1954.....	4,229	7,339	7,328	10,688
1955.....	4,136	7,636	7,625	11,000
1956.....	4,225	6,213	6,213	11,300
1957.....	4,885	( <sup>3</sup> )	4,719	( <sup>3</sup> )

<sup>1</sup>Farm sales weight.    <sup>2</sup>Redried weight.    <sup>3</sup>Not available.    <sup>4</sup>January-June.

continue to buy U. S. leaf as long as they can find export outlets for sufficient quantities of their products to the U. S. to earn the necessary dollar exchange (table 31).

## DAIRY PRODUCTS

International trade in dairy products was more competitive in 1957 than in 1956. Prospects for 1958 are for continuance of trade at or near 1957 price levels for most dairy products. Current prices for butter and cheese are distinctly lower than those prevailing in 1955 and 1956. World export volume, including donations and sales at nominal prices of all products, may change little from the 1957 level, but should be slightly higher. Butter exports will be about the same, but cheese and nonfat dry milk exports will probably be higher. Exports of canned milk and dry whole milk may not show much change. Export earnings will be lower than either 1955 or 1956 and about the same as in 1957.

All countries of the world produce some milk<sup>8</sup>, but less than 15 are substantial, continuous exporters of dairy products. On the other hand, even a smaller number are substantial, continuous importers of dairy products. Many are regular but small importers of selected dairy products, and a few countries shift from a net export to a net import basis, depending on domestic milk production.

For several years, most importing countries have tended to encourage expansion in domestic milk production and the output of manufactured dairy products, to reduce dependence on foreign sources.

Encouragement of expanded domestic milk and dairy product output takes several forms. The most common, perhaps, is technical assistance in farm milk production covering improved methods of feeding, breeding, and handling dairy cattle. Aids are given to development of better and more widely dispersed breeding stock, including, in many instances, credit and other financial assistance to dairy farmers for herd improvement. Pasture and forage improvement is usually involved.

<sup>8</sup>The term "milk," as used in this section, refers exclusively to cows' milk.



Other methods of encouraging production include the establishment of domestic milk price support measures and imposition of substantial duties and other fees on competitive dairy product imports. Frequently prices of domestic milk and manufactured dairy products, such as butter and cheese, are supported by these measures at levels well above the c.i.f. prices of the high quality competing supplies from foreign sources.

In many underdeveloped countries, with very low per capita purchasing power, the production and distribution of fluid milk and manufactured dairy products are carried on in extremely small-scale units. There is very little invested capital and little relation to established production and marketing techniques which have long characterized the industry in the advanced dairy countries of the world.

The lack of mass purchasing power hinders the development of large-scale efficient operations in production, manufacture, and distribution, thus causing high costs and related high retail prices. These, in turn, effectively block big increases in sales and consumption of milk and dairy products, even where limited consumption subsidies are used.

In the United Kingdom, the only large and relatively free international dairy product market in the world, prices for butter and cheese have declined substantially since 1955. Because a large proportion of dairy product exports is closely organized and controlled, the impact of lower United Kingdom price levels for butter and cheese on prices obtained in other markets has been softened somewhat. Similarly, export prices of canned milk and dried milk have not declined as much as prices of butter and cheese. Nevertheless, a generally lower level of dairy product export prices has been in the making during the latter half of 1956 and in 1957. Prospects are not bright for a general tightening of supply-demand relations, necessary for significant firming-up of international dairy product prices. Poor weather conditions affecting important producing or consuming areas could change this situation.

Production.—Milk production continues to increase in most of the world. Production in 1957 in 22 of the world's principal dairy countries increased 5 billion pounds, or 1.3 percent, continuing the upward trend of the last several years.

Total production of milk in these countries during 1957 is estimated at 385 billion pounds. Milk production in 1957 increased 2.5 percent in Europe, where there were excellent weather conditions. Individual increases in European countries ranged from 2 to 5 percent. Only one country in this region, i.e. West Germany, reported a decrease in milk production. In the Western Hemisphere, Canadian and Argentine milk productions showed little change, U. S. production increased 1 percent, Cuban production rose 1.5 percent, and production in Mexico increased 5 percent. Australian milk production fell 9 percent because of drought, and, in New Zealand, the 1957 production will probably exceed the 1956 level.

Factory butter production in the first quarter of 1957 was 3 percent below the corresponding period in 1956. However, it increased 1 percent in the second quarter. With favorable weather and feed conditions in most major producing areas in the second half of 1957, total production of butter may have slightly exceeded the 1956 level.

Total butter production, factory and farm, in major exporting countries averaged about 4.8 billion pounds during 1946-50 (table 32). It rose to about 5.7 billion pounds in 1954, and held fairly close to this level in 1955 and 1956. Since butter consumption in most of these countries has not increased much, the increase in export availability has been greater than the increase in production. Additional export availability, early in 1957, occurred as a result of the timing of butter shipments. For example, butter exports from Ireland, Sweden, and Finland in the first half of 1957 were unusually large.



TABLE 32.--Butter and cheese: Production in leading exporting countries, average 1946-50, annual 1955-57

Country	1946-50 average		1955		1956 <sup>1</sup>		1957 <sup>1 2</sup>	
	Butter <sup>3</sup>	Cheese <sup>4</sup>	Butter <sup>3</sup>	Cheese <sup>4</sup>	Butter <sup>3</sup>	Cheese <sup>4</sup>	Butter <sup>3</sup>	Cheese <sup>4</sup>
	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>
United States.....	1,596	1,156	1,552	1,363	1,558	1,393	870	768
Canada.....	331	119	339	89	324	94	133	42
France.....	407	<sup>5</sup> 403	644	<sup>5</sup> 661	626	<sup>5</sup> 705	295	<sup>5</sup> 320
Italy.....	106	<sup>5</sup> 491	143	<sup>5</sup> 768	145	<sup>5</sup> 770	--	--
Denmark.....	319	125	362	191	366	186	199	113
Belgium.....	128	( <sup>6</sup> )	200	( <sup>6</sup> )	199	( <sup>6</sup> )	--	--
Sweden.....	227	115	193	119	185	112	98	--
Netherlands.....	156	212	163	382	169	366	76	186
Finland.....	75	18	133	49	164	62	92	27
Ireland.....	115	( <sup>6</sup> )	129	( <sup>6</sup> )	141	( <sup>6</sup> )	59	( <sup>6</sup> )
Argentina.....	<sup>7</sup> 101	<sup>8</sup> 204	<sup>7</sup> 126	<sup>8</sup> 285	<sup>7</sup> 145	<sup>8</sup> 279	<sup>7</sup> 69	<sup>8</sup> 126
Republic of Germany....	<sup>9</sup> 544	<sup>9</sup> 280	<sup>7</sup> 719	349	<sup>7</sup> 737	347	--	168
Switzerland.....	( <sup>6</sup> )	<sup>5</sup> 107	( <sup>6</sup> )	<sup>5</sup> 133	( <sup>6</sup> )	<sup>5</sup> 133	( <sup>6</sup> )	<sup>5</sup> 63
United Kingdom.....	( <sup>6</sup> )	70	( <sup>6</sup> )	141	( <sup>6</sup> )	224	( <sup>6</sup> )	138
Australia.....	365	100	451	88	462	97	173	--
New Zealand.....	359	217	440	213	462	213	179	91
Total	4,829	3,617	5,594	4,831	5,683	4,981	2,243	2,042

<sup>1</sup>Preliminary. <sup>2</sup>January through June 1957. <sup>3</sup>Includes farm butter. <sup>4</sup>Whole milk cheese made from cow's milk, unless otherwise specified, including farm cheese. <sup>5</sup>Includes goat's milk and sheep's milk cheese. <sup>6</sup>Not a leading country. <sup>7</sup>Creamery butter only. <sup>8</sup>Factory cheese only. <sup>9</sup>Average 1948-50.

TABLE 33.--Milk canned, and dried. Production in leading producing countries, average 1946-50, annual 1955-57

Country	1946-50 average		1955		1956 <sup>1</sup>		1957 <sup>1 2</sup>	
	Canned milk	Dried milk <sup>3</sup>	Canned milk	Dried milk <sup>3</sup>	Canned milk	Dried milk <sup>3</sup>	Canned milk	Dried milk <sup>3</sup>
	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>
United States.....	3,171	920	2,614	1,517	2,605	1,656	1,431	1,051
Canada.....	<sup>4</sup> 267	<sup>5</sup> 73	<sup>4</sup> 322	<sup>5</sup> 108	<sup>4</sup> 334	<sup>5</sup> 99	<sup>4</sup> 175	<sup>5</sup> 54
Netherlands.....	181	54	577	118	643	137	323	85
Republic of Germany....	( <sup>6</sup> )	( <sup>6</sup> )	485	83	541	106	312	60
United Kingdom.....	220	74	397	100	424	155	271	91
France.....	<sup>7</sup> 58	<sup>7</sup> 3	110	22	110	22	54	12
Denmark.....	59	17	61	32	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )
Belgium.....	5	7	31	35	41	<sup>8</sup> 42	( <sup>6</sup> )	( <sup>8</sup> )
Sweden.....	( <sup>8</sup> )	25	( <sup>8</sup> )	23	( <sup>8</sup> )	32	( <sup>8</sup> )	21
Cuba.....	37	( <sup>8</sup> )	65	( <sup>8</sup> )	76	( <sup>8</sup> )	( <sup>6</sup> )	( <sup>8</sup> )
Argentina.....	<sup>7</sup> 12	<sup>7</sup> 14	25	24	26	25	11	12
Australia.....	133	54	121	97	147	110	61	40
Total.....	4,143	1,241	4,808	2,159	4,947	2,384	2,638	1,426

<sup>1</sup>Preliminary. <sup>2</sup>January through June 1957. <sup>3</sup>Whole and nonfat. <sup>4</sup>Both bulk and case goods. <sup>5</sup>Approximately 1.8 to 2.0 million pounds annually for animal feed included in production data. <sup>6</sup>Not available. <sup>7</sup>Less than a 5-year average. <sup>8</sup>Not a leading country.

Cheese production increased moderately during 1957. Production of cheese in major exporting and consuming areas has increased very substantially since 1946-50, when it averaged about 3.6 billion pounds annually, and by 1954 was up to 4.9 billion pounds, a 36 percent increase. The 1956 output was 5.0 billion pounds, up 3 percent from 1955.

While cheese consumption has risen continuously since World War II, the concurrent high level of production has created considerable pressure on cheese markets. This has been reflected in lower prices during the past 18 months.

Combined production of evaporated and condensed milk in 10 leading countries, has shown very large increases since 1946-50 (table 33). Annual production in these countries was somewhat more than 4.1 billion pounds in 1946-50. Production continued to rise after 1950 and, by 1954, reached nearly 4.5 billion pounds<sup>9</sup> and, by 1956, 4.9 billion pounds. Production in 1957 probably exceeded the 1956 level. In recent years, the Netherlands and the United Kingdom have shown the greatest increases in production—the former chiefly for export and the latter for consumption and for substantially increased exports.

Prices.—For many years, domestic prices of butter, cheese, and nonfat dry milk in the United States have been much higher than those at which they could be delivered to foreign markets by the major exporters—New Zealand, Australia, Denmark, and the Netherlands. With butter, for example, first quality wholesale prices at New York City have been around 58 to 60 cents per pound during the past several years. During this period, landed prices of New Zealand and Australian butter in the United Kingdom have varied from 54 cents per pound down to 32.5 cents per pound early in 1957.

Prices for first quality Australian and New Zealand butter in October 1957 were about 39 cents per pound delivered in the United Kingdom. This compares with a New York City f.a.s. price of 39 cents per pound, i.e., the CCC export price to exporters which has remained unchanged since September 1956. United Kingdom prices for Danish and Dutch butter are usually somewhat higher than those for Australian and New Zealand butter, with premiums ranging from 4 cents to as high as 16 cents per pound for Danish butter. All of these butters have a fat content of 81.5-82.0 percent, compared with U. S. butter of about 80.5 percent fat.

Butter prices in the United Kingdom market tend to be the lowest of all international prices because of the great volume and relatively unrestricted nature of this market. Butter is normally traded in other markets at some margin over United Kingdom prices, depending on the relative bargaining strength of buyers and sellers. Buyers are often national governments, in effect, even though transactions may be conducted through private trade channels. Sellers are often monopoly export trade organizations.<sup>10</sup>

U. S. domestic wholesale cheese prices have been for some time well above prices at which cheese of similar make and quality is traded in international markets. Trade in cheese is highly differentiated, according to well established differences in flavor, texture, and other consumer preferences. Specialty cheeses, both hard and soft, including certain Italian, French, Swiss, Dutch, and Danish types have well established but limited markets in many parts of the world.

These cheeses command substantial price premiums over cheddar, but their sales are rather small, reflecting the limited number of consumers. Since much

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<sup>9</sup>This includes an unofficial estimate of production in West Germany.

<sup>10</sup>See "Organization of Export Trade" in Competitive Position of United States Farm Products Abroad, dated January 1957, FAS, USDA.



U. S. cheese is cheddar and since this is the only type available for export at prices comparable with foreign supplies (CCC price to exporters has been 22 cents per pound, f.a.s. export since November 1955), cheddar is the only cheese exported commercially in significant quantities.

Similarly, domestic wholesale prices of nonfat dry milk have been much higher than those quoted by New Zealand, Australia, the Netherlands, Denmark, and other exporters. This price is 16 to 17 cents per pound. The CCC price to exporters for commercial sales is 9.05 cents per pound in 100-pound bags and 9.9 cents per pound in barrels and drums.

It is obvious that most of the U. S. commercial export trade in butter, cheese, and nonfat dry milk must be transacted at CCC export price levels (table 34). These exports were small in relation to total U. S. production. In 1956, foreign sales represented about 1.5 percent of creamery butter production, about 1.2 percent of American cheese production, and 5.5 percent of nonfat dry milk production. In relation to total exports of butter, cheddar cheese, and nonfat dry milk, these export sales were also very small.

**Non-Price-Support Products.**—Commodity Credit Corporation does not buy evaporated, condensed, or dry whole milk in its price support operations and has not established export prices for these products. U. S. exporters are having increasing difficulty in meeting foreign price competition and have been losing sales to foreign suppliers. In 1954, condensed milk exports were only 1.4 million pounds, compared with an average of 30 million pounds in 1950-56. U. S. exports of these items depend almost entirely on section 402 programming by the International Cooperation Administration. Exports in 1956 were 40 million pounds, and 1957 exports through August were about 30 million pounds.

Evaporated milk exports also depend heavily on section 402 programming and contracts under Title I, Public Law 480. Total exports of evaporated milk have actually increased in recent years from 131 million pounds in 1954 to 170 million pounds in 1956. From January to August 1957 (inclusive) exports were 109 million pounds, 2 million pounds above the same period in 1956. It should be pointed out that 76 percent of exports of evaporated and condensed milk in fiscal year 1957 were under Government programs, compared with 47 percent in fiscal year 1956. Canned milk exports under programs in fiscal 1958 will be somewhat smaller than in 1957.

Dry whole milk is the only dairy product exported from the United States which does not substantially depend on Government financial assistance. About

TABLE 34.--Butter, cheddar cheese, and nonfat dry milk: CCC sales for commercial export, and total CCC dispositions abroad, annual 1954-57

Item	1954	1955	1956	1957 <sup>1</sup>
	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>	<u>Million</u> <u>pounds</u>
Butter				
Total foreign dispositions.....	156.4	230.3	102.9	11.6
Foreign commercial sales <sup>2</sup> .....	1.7	14.7	23.9	7.7
Cheddar cheese:				
Total foreign dispositions.....	83.3	142.0	167.4	117.7
Foreign commercial sales <sup>2</sup> .....	.3	4.9	11.9	7.8
Nonfat dry milk:				
Total foreign dispositions.....	343.0	545.3	575.1	654.9
Foreign commercial sales <sup>2</sup> .....	2.2	389.0	481.3	553.4

<sup>1</sup>January through November 1957. <sup>2</sup>Includes Title I, P. L. 480 sales. <sup>3</sup>Includes 75 million pounds for animal feed. <sup>4</sup>Includes 32 million pounds for animal feed. <sup>5</sup>Includes 7 million pounds for animal feed.



75 percent of U. S. exports in recent years have gone to Venezuela, a country with ample dollar exchange. Milk production has been increasing in Venezuela, and prices have been unsatisfactory to many producers in relation to rising production costs.

There is growing agitation in Venezuelan dairy circles to more closely control dry whole milk imports. Since such a large proportion of U. S. exports is taken by Venezuela, this is a serious matter to the U. S. trade. Prospects for expansion of this trade to other countries are distinctly poor, because of the relative price situation between the United States and other major dairy exporting countries.

## POULTRY AND EGGS

The long upward trend in egg production since World War II continued through 1957 in most of the important egg-producing countries. The world's leading exporters, the Netherlands and Denmark, produced record quantities of eggs in the first half of 1957. The United Kingdom is traditionally the world's greatest year-round importer. It has increased egg production, however, with high guaranteed prices to producers to the point where eggs were actually exported in early 1957.

The fact that the United Kingdom has become substantially self-sufficient in egg production has caused a pronounced shift in world trade. Fortunately for the principal exporting countries, however, West Germany has been importing increasingly larger quantities of shell eggs, as sales to the United Kingdom became less. Both the Netherlands and Denmark have shifted their sales to West Germany. Ireland, Australia, and South Africa, who also have depended on the United Kingdom market, have sent small shipments to new markets, but have not been able to find new outlets as have the former two countries for their total exportable surplus. For these reasons, egg supplies have accumulated and producer prices have declined drastically.

Due to excellent weather and to an increased number of layers early in 1957 in the United States and Europe, egg production was particularly heavy during that period. This, coupled with disturbed marketing patterns, reduced producer egg prices to such an extent that fewer baby chicks were produced for flock replacement purposes than in 1956. The outlook for 1958 is therefore for a reduction in egg supplies.

World Trade in poultry meat is far less important than that of eggs, but it also rose above 1956 levels during 1957.

U. S. exports of eggs and poultry totaled \$43.6 million in 1956, the highest since 1948 when there were large exports of egg solids resulting from domestic surplus removal programs. The upward trend continued in the first half of 1957. However, later development may have reduced the year's total below the 1956 figure.

This possible decline is being brought about by protective actions taken by several countries, particularly Canada, Cuba, and Venezuela. In July 1957, Canada embargoed imports of turkey and fowl in order to carry out a price support program enacted because of a record turkey crop, record storage holdings of all poultry, and unusually large imports during the first half of 1957. In 1956, Canada imported 13.1 million pounds of turkeys and 8.3 million pounds of fowl from the United States. Up to the time the embargo was put into effect, Canada had imported 6.4 and 3 million pounds of turkeys and fowl, respectively, from the United States.

Cuba imported 1.9 million U. S. baby chicks in 1956, mostly broiler chicks. In recent years, the production of broiler hatching eggs and chicks in Cuba has been increasing. In September 1957, imports of broiler chicks were stopped because domestic supplies were considered adequate.

Similar action was taken by Venezuela. On July 1, 1957, imports of both broiler and egg-type chicks were stopped because of adequate hatching capacity in Venezuela. However, the production of hatching eggs is inadequate, and imports of U. S. hatching eggs have increased.

These restrictive actions are typical of those taken by countries which are fostering the development of their poultry industry. But rising standards of living and rapidly increasing populations in nearly all countries mean a greater demand for eggs and poultry. In some countries, demand is rising faster than local production, and this results in new export opportunities for the United States. This is the case in Switzerland, the Caribbean Islands, and Peru, where poultry meat is in demand. Increasing quantities of baby chicks are being exported to the Caribbean Islands.

It is unlikely that the United States can find foreign markets for large quantities of shell eggs in the next few years. Competition will be very keen from other surplus producing countries, many of which are providing export incentives.

The greatest U. S. export opportunities are with frozen poultry, baby chicks, and breeding stock, because no country has equaled the U. S. efficiency in producing high quality poultry meat. U. S. breeding stock is widely acknowledged as being the best in the world.

## LIVESTOCK, MEAT AND MEAT PRODUCTS

### Production

Production of meat and meat products in the free world continued to increase in 1957. It is expected to be even larger than in the high year of 1956. North and South America, Oceania and Western Europe produce about 80 percent of the world output. U. S. production, usually about 30 percent of world total, has dropped slightly (table 35).

In 1956 and 1957, conditions favored a steady increase in world meat production. Continuous expansion of economic activity in the principal meat-consuming countries has increased demand for meat (table 36). Adequate feed supplies and grazing conditions have also encouraged livestock production. Despite the fact that in recent years meat production has increased faster than the population, meat prices have continued relatively high.

Increased meat production in most areas is due to increases in pork, particularly in the meat-importing countries. Total pork production in 1957 is estimated at 37,614 million pounds, or about 1 percent above 1956.

U. S. production in 1957 is estimated at 27 billion pounds, or approximately 3 percent below the 1956 figure, which was an all-time high.

Production of meat in Canada in 1957 did not follow the U. S. trend. It was 2 percent over 1956 and 8 percent over 1955 production.

Meat production in South America increased sharply during 1956 and 1957. Argentine production reached an all-time record high in 1956 and 1957, or 15 percent over the 1939 figure. The slaughter of 11.7 million head of cattle was record high in 1956. The level of slaughter continued high during the first 6 months of 1957 and preliminary estimates of meat production indicate another record in 1957. However, slaughter rates are expected to decline as they cannot be sustained by the present cattle population.



TABLE 35.--Meat: World production and exports by areas, average 1950-54, annual 1956 and 1957

Area	Production <sup>1</sup>			Exports <sup>2</sup>		
	Average 1950-54	1956 <sup>3</sup>	1957 <sup>4</sup>	Average 1950-54	1956 <sup>3</sup>	1957 <sup>4</sup>
North America:	<u>Mil. lb.</u>	<u>Mil. lb.</u>	<u>Mil. lb.</u>	<u>Mil. lb.</u>	<u>Mil. lb.</u>	<u>Mil. lb.</u>
Canada <sup>5</sup> .....	1,987	2,460	2,600	137	92	130
Mexico.....	1,113	1,210	1,310	67	24	30
Cuba.....	424	482	490	--	--	--
Other.....	--	--	--	5	1	1
South America:						
Argentina.....	4,666	6,372	6,400	818	1,403	1,400
Brazil.....	2,961	3,168	3,250	26	33	35
Uruguay.....	834	617	900	228	140	320
Other.....	508	1,252	1,350	12	11	12
West Europe:						
France.....	4,596	5,607	5,500	119	104	50
Germany, Fed. Rep.....	4,339	5,364	5,500	37	30	35
United Kingdom.....	2,936	3,702	3,900	--	--	--
Italy.....	1,553	2,030	2,050	11	15	15
Denmark <sup>5</sup> .....	1,357	1,415	1,450	755	770	850
Netherlands.....	1,015	1,243	1,200	207	341	300
Ireland.....	--	--	--	150	118	150
Other.....	4,254	6,325	6,500	80	169	150
Africa:						
Union of South Africa.....	963	1,066	1,100	16	27	35
Middle East and Asia.....	1,444	1,896	1,900	--	--	--
Other.....	--	--	--	27	18	20
Oceania:						
Australia.....	2,411	2,628	2,800	537	553	800
New Zealand.....	1,236	1,439	1,440	789	936	900
Total.....	38,597	48,276	49,640	4,021	4,785	5,233
Eastern Europe.....	14,069	16,150	18,000	138	200	220
United States.....	23,430	28,056	27,300	129	185	185
World Total.....	76,096	92,482	94,940	4,288	5,170	5,638

<sup>1</sup>Excluding lard, mutton, lamb, goatmeat and horsemeat. <sup>2</sup>Carcass-weight equivalent; excludes live animals except Canada, edible variety meat, lard, rabbit and poultry. <sup>3</sup>Preliminary.

<sup>4</sup>Estimated. <sup>5</sup>Includes carcass meat equivalent of live cattle exports.

Western European meat production increased 2 percent in 1956 and again in 1957. The largest increases in 1957 occurred in Italy, Switzerland, Yugoslavia and the United Kingdom. Moderate gains were made in Austria, France, Belgium, Netherlands and West Germany. This increase was due to better grazing conditions, cheap imported feed and increasing demand.

Meat production in the Union of South Africa during 1956 and 1957 continued high—about 10 percent above 1955. This increase resulted, in part from the removal of price controls on cattle; slaughter of hogs, sheep and lambs also rose.

During 1956, meat production in Asia was about the same as prewar. Japan had an increase of 300 percent over the early postwar years.

The 1957 drought in Australia resulted in a record slaughter of 29 percent above 1938-39. The 1957 New Zealand meat production remained about the same as the previous year.

Meat production in the Soviet Union continues to increase. The 1956 output in state-controlled slaughterhouses increased by 7 percent over 1955. A further increase during 1957 is indicated. There has been a steady increase in livestock



TABLE 36.--Meat:<sup>1</sup> World imports by source of origin, average 1950-54, annual 1956 and 1957

Area	Average 1950-54	1956 <sup>2</sup>	1957 <sup>3</sup>
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>
North America.....	81	85	95
Europe:			
United Kingdom <sup>4</sup> .....	2,776	3,456	3,900
Suppliers:			
New Zealand.....	698	761	760
Australia.....	503	379	500
Denmark.....	532	538	550
Netherlands.....	231	138	140
Poland.....	122	119	200
United States.....	33	0	---
Argentina.....	411	734	780
Other.....	246	787	970
France:	62	68	100
Suppliers:			
West Germany.....	16	3	7
Hungary.....	1	4	8
Denmark.....	---	11	20
Netherlands.....	6	23	22
United States.....	( <sup>5</sup> )	( <sup>5</sup> )	---
Other.....	39	27	43
West Germany.....	162	327	330
Italy.....	72	151	160
Other European countries..	169	318	325
Asia.....	15	28	35
South America.....	38	25	30
Africa.....	20	26	30
Eastern European countries <sup>6</sup> .	117	60	60
United States.....	456	360	430
Suppliers:			
Canada.....	78	70	80
Mexico.....	42	9	20
Poland.....	12	30	30
Argentina.....	100	142	160
Denmark.....	13	21	25
Netherlands.....	29	39	35
New Zealand.....	16	7	20
Australia.....	4	6	15
Uruguay.....	19	7	15
Other.....	143	29	30
World Total.....	3,968	4,904	5,495

<sup>1</sup>Carcass-weight equivalent; excludes live animals, edible variety meat, lard, rabbit, and poultry meat. <sup>2</sup>Preliminary. <sup>3</sup>Estimated. <sup>4</sup>Imports include edible variety meat. <sup>5</sup>Less than 500,000 lbs. <sup>6</sup>Includes U.S.S.R., Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, and Romania.

becoming less important. In recent years, considerable quantities of pork and beef were exported under Public Law 480. In the last three years the United States has been a net exporter of livestock meat and meat products (table 37).

From the standpoint of foreign competition the U. S. is primarily concerned with by-products of the packing industry. Exports of these products are important in maintaining domestic meat prices. Because of the large U. S. slaughter, the amount of these by-products is very large and domestic consumption, of them is relatively low.

numbers from their low point at the end of World War II, and current production of meat is estimated to be somewhat above prewar. In the six countries of Eastern Europe, production of meat has increased considerably since the end of World War II, but has not reached prewar levels, judging from livestock numbers, apparent feed supplies, and the persistent reports of meat shortages in the area.

### U. S. Meat and Meat Products in the International Market

The United States is not competitive in the international red meat trade. Generally the cost of meat production is low in the Southern Hemisphere, and high in the Northern. The United States is competitive in variety meats, lard, tallow and greases, hides and skins, casings, mohair, breeding animals, and pork, when in surplus.

It is a large importer of hams from Europe, canned corned beef from Argentina, Uruguay, and Brazil, and fresh beef from Mexico and Canada. Imports of live cattle from Canada and Mexico in 1957 were estimated at 260,000 and 265,000 head, respectively.

U. S. exports of fresh and frozen red meat are

TABLE 37.--Livestock, meat, and meat products: Volume and value of U.S. exports, annual 1954-56, with comparisons

Commodity	Quantity			Value			1956 value as percent of --	
	1954	1955	1956	1954	1955	1956	1954	1955
	<u>1,000</u> <u>pounds</u>	<u>1,000</u> <u>pounds</u>	<u>1,000</u> <u>pounds</u>	<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>	<u>Percent</u>	<u>Percent</u>
Beef and veal....	33,824	40,664	81,087	9,234	10,835	24,554	266	227
Pork.....	52,893	66,322	75,570	16,512	17,112	19,325	117	113
Lamb and mutton..	827	426	583	352	223	296	84	133
Sausage, bologna and frankfurters.....	7,830	7,379	6,949	3,601	3,199	3,089	86	97
Meat and meat products, canned, n.e.c..	4,116	2,648	2,538	1,323	752	758	57	101
Baby foods, canned.....	404	478	607	185	187	259	140	139
Horsemeat (all kinds).....	16,328	13,505	11,190	2,590	2,617	2,852	110	109
Variety meats....	45,922	69,536	99,427	10,354	13,183	18,641	180	141
Sausage casing, natural, hog...	5,859	7,966	7,339	3,804	4,298	4,311	113	100
Sausage casing, natural, n.e.c.	11,457	11,067	10,881	3,855	4,252	3,326	86	78
Lard.....	465,397	562,071	611,394	83,878	76,066	79,523	95	105
Tallow and greases <sup>1</sup> .....	1,205,400	1,337,833	1,540,528	97,218	113,462	127,804	131	113
Hides and skins <sup>2</sup> .	8,330	10,278	8,877	54,405	66,464	56,918	105	86
Mohair.....	2,536	6,053	11,835	2,409	6,168	13,474	559	218
Livestock <sup>3</sup> .....	33,728	65,392	107,525	9,977	13,265	11,587	116	87
Total.....	--	--	--	299,697	332,083	366,717	122	110

<sup>1</sup>Includes edible and inedible. <sup>2</sup>1,000 pieces. <sup>3</sup>Number.

In 1956, the United States accounted for 31 percent of world lard production and 82 percent of world exports; 22 percent U. S. production, was exported. The major importers of U. S. lard in 1956 were Cuba and the United Kingdom; Yugoslavia, West Germany, Austria, Canada, Mexico, Guatemala, Bolivia and Peru were also important markets. These 10 countries took 93 percent of U. S. exports. Other important producers and exporters of lard include Argentina, France, Denmark, Belgium-Luxembourg and the Netherlands. Argentina increased its exports from 10 million pounds in 1955 to 22 million pounds in 1956, most of which went to Peru, the United Kingdom, Chile, and Italy.

Domestic French lard prices are supported, but export prices are made competitive with those of the United States through export incentives. In 1956, French exports to West Germany, and Italy increased. During the first half of 1957 the United Kingdom increased its imports of French lard.

U. S. exports in 1957 declined, due to the increase in home use of lard in shortening and margarine, high U. S. price compared with foreign prices and a reduction in Public Law 480, and ICA shipments. Lard meets keen competition from vegetable and marine oils. Since World War II per capita lard consumption in the leading consuming countries has decreased while that of vegetable oils has increased. The prices of vegetable oils compared with lard is an important consideration in both the domestic and export market.



Because of the large number of hogs in Denmark and West Germany, our major competitors, foreign competition in meat products, particularly pork, will continue about the same as in 1957.

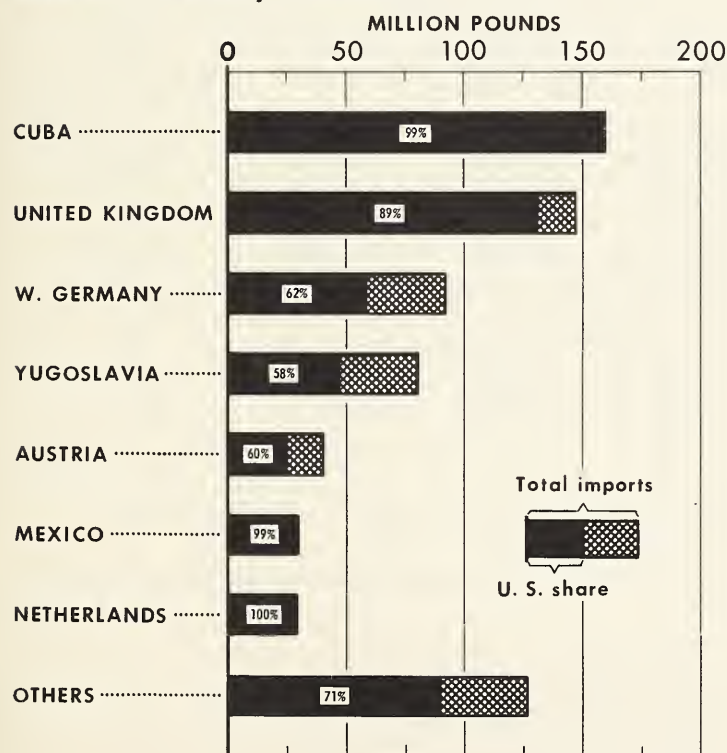
In 1956 the United States produced 55 percent of the world's tallow and greases, exported over 45 percent of its production, and accounted for 83 percent of world exports. Major competitors include New Zealand, Argentina, Australia, Canada and the Netherlands. United States exports of tallow and greases are distributed about as follows: Europe 60 percent, Asia 20 percent, North America 9 percent, Africa 8 percent and South America 3 percent. The principal markets in Europe are Italy, the Netherlands, Western Germany and Belgium-Luxembourg. In 1956 Japan accounted for about 73 percent of the shipments to Asia. During the first 9 months of 1957, it imported 186 million pounds of tallow and greases, or 17.4 million pounds more than in the same period in 1956 (chart 2).

The U. S. exports of variety meats since 1952 made spectacular gains accounting for a high percentage of total meat exports. In 1956, they were over 99 million pounds. These gains are attributed to the quality and the competitive price of U. S. variety meats in international markets and have taken place in the face of many types of trade barriers. Leading export markets have been the Netherlands, West Germany, Canada, France, Mexico, the United Kingdom and Switzerland.

The United States in recent years has shifted from a net importer to an important net exporter of hides and skins. Most of these exports go to Japan, Western Europe, Canada and Mexico.

Chart 2

### Lard: Total Imports by Selected Countries and U. S. Share, 1951-56



USDA

FAS-NEG. 1535

During the first 9 months of 1957, Japan imported 1.7 million pieces of hides and calf and kip skins, or 300,000 more than in the same period of 1956. The international trade in hides and skins is keenly competitive and U. S. exports compete quality-wise and price-wise with the other leading exporters as Argentina, India, Brazil, Uruguay, New Zealand and Australia. Some of these provide export incentive.<sup>11</sup>

### Foreign Trade Barriers

Most foreign importers of meat and meat products use various methods to increase their domestic production and thereby reduce the needs for imports. Some traditional meat importers have increased their domestic production in recent years to the extent of becoming net exporters. High tariffs and import fees handicap U. S. export trade in meat and meat products. Lack of "hard

<sup>11</sup>For details on export incentives of competing countries, see "Competitive Position of U. S. Farm Products Abroad, 1957" p. 47 et. seq.



currency" is another barrier to expansion of U.S. trade. Multiple exchange rates are maintained through government-controlled internal prices established to restrict imports of certain commodities and to encourage imports of others. Bilateral trade agreements have resulted in reducing market outlets. Furthermore, sanitary regulations of specific countries have prevented the exporting of U. S. products.

### Specific Markets for U. S. Meat and Meat Products

The competitive position of U. S. meat and meat products in foreign markets depends upon many factors. To illustrate how these factors operate in specific markets, West Germany and Italy have been selected for review.

West Germany.—In recent years West Germany has become a principal market for U. S. meat and meat products. Its increasing domestic production has not been in sufficient quantities to meet the demand brought about by its growing prosperity. Despite West Germany's postwar economic recovery, its 1956 per capita consumption was only 98 pounds compared to 113 pounds prewar.

United States share of the West German market has been increasing since 1951. During 1954-56, the average U. S. share of West German imports were tallow and greases, 82.3 percent, lard 75.6 percent, variety meats 37.7 percent, fatback 29.6 percent, pork 26.9 percent and hides and skins 9.7 percent (table 38).

TABLE 38.--Meat and meat products: Total imports into West Germany and U. S. share, annual 1954-57

Year	Lard		Tallow and greases <sup>1</sup>		Variety meats	
	Total Imports	Imports from United States	Total Imports	Imports from United States	Total Imports	Imports from United States
	<u>1,000 lbs.</u>	<u>1,000 lbs.</u>	<u>1,000 lbs.</u>	<u>1,000 lbs.</u>	<u>1,000 lbs.</u>	<u>1,000 lbs.</u>
1954.....	63,206	49,583	164,472	138,705	50,705	7,389
1955.....	90,708	68,689	164,823	127,536	57,165	23,608
1956 <sup>2</sup> .....	95,594	70,210	173,048	147,192	66,351	34,640
1957 <sup>2</sup> .....	<sup>3</sup> 47,760	<sup>3</sup> 10,097	<sup>3</sup> 86,714	<sup>3</sup> 74,421	<sup>4</sup> 29,085	<sup>4</sup> 15,256
	Fatback		Pork		Hides and skins	
1954.....	52,741	11,343	46,874	11,872	158,431	60,778
1955.....	50,768	17,857	36,108	14,748	222,154	66,627
1956 <sup>2</sup> .....	51,103	16,535	58,498	11,388	223,720	48,775
1957 <sup>2</sup> .....	<sup>4</sup> 15,703	<sup>4</sup> 7,019	<sup>5</sup> 15,604	<sup>5</sup> 3,883	<sup>3</sup> 132,041	<sup>3</sup> 36,701

<sup>1</sup>Edible and inedible. <sup>2</sup>Preliminary. <sup>3</sup>January-June. <sup>4</sup>January-May. <sup>5</sup>January-March.

Competing countries with the United States for the market of the Federal Republic of Germany in order of importance:

<u>Lard:</u>	France, Netherlands, Denmark, and Sweden.
<u>Tallow and greases:</u>	Australia, Argentina, Belgium, and Netherlands.
<u>Fatback:</u>	Netherlands, France, Belgium, and Italy.
<u>Variety meats:</u>	Denmark, Netherlands and France.
<u>Pork:</u>	Netherlands, Argentina, Belgium, and Denmark.
<u>Hides and skins:</u>	Argentina, France, Uruguay, Netherlands, Italy, Canada, and Denmark.

Compiled from official German publication (Der Buderrepublic), U. S. Department of Commerce, and Agricultural Attache reports.

Imports of meats from the U. S. are principally frozen whereas those from the nearby countries are chilled. West German laws require inspection of imported variety meats. The U. S. frozen product must be thawed, inspected and refrozen.<sup>12</sup> This practice lowers the quality. Therefore, U. S. frozen pork livers, constituting 70 percent of variety meat imports from the U. S. are used primarily in the manufacture of liver sausage while the Danish chilled liver is used directly. The 1956 price of U. S. liver averaged 24.2 cents per pound compared to 43 cents for the Danish product.

West Germany, usually produces about one-third of its domestic lard requirements. The bulk of its imports, averaging over 90 million pounds originates in the United States. France, the Netherlands, and Denmark are also suppliers. The U. S. share in recent years remained stable through 1956. West Germany is the largest market for U. S. fatbacks and the third largest market for U. S. lard. The potential for increased consumption of these fats in Germany probably is greater than in any other European country.

German producers of pork fats are protected by import duty and by import quotas. Internal prices are not fixed but price alterations require the consent of the Ministry of Food.

Recently the per capita consumption of lard in West Germany has declined largely because of the substitution of margarine. However, this decline has been mostly offset by the population increases.

Because of the prosperity in West Germany, the lard consumer is particularly interested in quality and flavor. The decline in per capita consumption of lard is due in part to the inferior qualities shipped from various sources to West Germany.

The U. S. exports of lard into West Germany in the last three years have remained about the same, while imports from other sources have increased. This is due to the price differential and various bilateral trade agreements between Germany and other countries. Some of the competitors have supported their exports generously and their prices, despite inferior quality, were more attractive to the German importers. The major competitors in this market are France, the Netherlands and Denmark.

The increased domestic production of lard in 1957, and the forthcoming appearance of Polish lard in West German markets, will undoubtedly adversely effect U. S. exports. Also U. S. prices of lard in 1957 have not been competitive with those from other sources.

On August 21, 1956, the West German government liberalized the importation of fatbacks, terminating the payment of premium for import dollars, and placed this product in the free dollar category. This action has benefited U. S. exporters.

Prices for U. S. fatbacks are more competitive than those from most European sources, where they are handled under bilateral trade agreements. The Netherlands, France, Belgium and Italy are major European suppliers of fatbacks to West Germany.

West Germany imports primarily industrial tallows and greases, and produces a surplus of edible tallow. The industrial items are free of duty and turn over tax. During 1954-56 over 80 percent of West Germany's imports came from the U. S. Large exportable supplies in the United States, and generally low prices compared to other sources of fats and oils accounted for the predominance of U. S. tallow and greases in the West German market.

Hides and skins from the U. S. are relatively a new product in West Germany and have been introduced gradually into the market in competition with those from

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<sup>12</sup>Part of the imports from the Netherlands are re-exported U. S. frozen livers, and are subject to the same inspection regulations.



South America. When restrictions on dollar imports were liberalized in 1954, U. S. hides and skins entered the West German market in substantial quantities. They have been found satisfactory to meet tanner's requirements because of the large selection of sizes and grades available throughout most of the year. Inasmuch as the price of U. S. hides is competitive, a steady and lasting market for them should result.

Italy.—Italy is a leading potential market for U. S. meat and meat products. The growing population, the continuous improved economic conditions and the inability of the Italian producers to meet the growing domestic demands are important factors that make Italy a good export market. In 1956, The American Meat Institute and the American Farm Bureau Federation, in cooperation with the U. S. Dept. of Agriculture, made a careful survey of the potential markets in Europe for U. S. meat and meat products. This group reported Italy is interested in resuming importation of U. S. meat and meat products. They found that lard is consumed in large quantities in Trentino near the Austrian border, Venezia Giulia, Sicily, Bari, and the Island of Sardinia. They also pointed out that the lack of dollar exchange is the biggest single barrier to U. S. export trade in Italy.

Italy has already established a reputation as a good market for some U. S. livestock and meat products. The Italian soap industry has been supplying most of its needs in tallow and greases from the United States. Shipments to Italy in 1956 were approximately one-sixth of total U. S. tallow and grease exports and 99 percent of total Italian imports (table 39).

The price and the quality of U. S. tallow and greases is competitive with domestic and imported vegetable oils used for the manufacture of soap in Italy where there are excellent facilities for handling large quantities of tallow and greases for the manufacture of soap and other industrial products. In addition to its large domestic market, Italy has established a good market abroad for her soap.

In prewar the United States was the principal supplier of lard to Italy. Since the war almost all of this market has been taken over by other suppliers, because Italy has restricted dollar imports due to balance of payment difficulties.

In recent years Italian imports of U. S. hides and skins have increased because U. S. calf and kip skins are the qualities best suited to the needs of the leather industry. However, compared to the total amount of hides and skins imported, the U. S. share is very small. Potentialities of the Italian market for U. S. hides and skins are good provided dollars are available.

In 1954, 1955, and 1956, Italy imported 58.0, 100.0 and 134.0 million pounds of beef, respectively, mostly from Denmark and Argentina.

Italy is also a potential market for variety meats because Italians consume large quantities of bologna and sausages. U. S. variety meats could become an important source of raw materials for the manufacture of these products provided refrigeration facilities for transporting and retailing them were available.



TABLE 39.--Meat and meat products: Total selected imports into Italy and U.S. share, annual 1954-56<sup>1</sup>

Commodity	1954		1955		1956	
	Total imports	Imports from United States	Total imports	Imports from United States	Total imports	Imports from United States
	<u>1,000</u> pounds	<u>1,000</u> pounds	<u>1,000</u> pounds	<u>1,000</u> pounds	<u>1,000</u> pounds	<u>1,000</u> pounds
Beef .....	58,255	5	100,402	---	134,025	2
Pork .....	2,708	---	10,730	---	6,257	---
Fatback .....	---	---	4,076	---	9,200	---
Lard .....	2,004	129	2,138	289	12,465	162
Tallow and greases ...	157,852	133,504	217,905	210,220	246,824	239,254
Hides and skins .....	7,316	7,000	80,495	3,560	---	7,000
Variety meats .....	---	6	13,329	33	15,181	---

<sup>1</sup>During the first half of 1957, U.S. exports of tallow and greases were 136 million pounds and 5,880 pieces of hides and skins.

Leading suppliers:      Beef and veal:      Argentina, Uruguay,  
France and Denmark.

Pork:                      France, Argentina,  
Denmark and Yugoslavia.

Variety meats:              Argentina, France, Denmark  
and the Netherlands.

Fatback:                      France, Denmark and the  
Netherlands.

Lard:                              France, the Netherlands  
and Argentina.

Hides and skins:              Argentina, the Nether-  
lands, France, Australia,  
Union of South Africa and  
New Zealand.

# FATS, OILS AND OILSEEDS

The United States is by far the world's largest producer and exporter of fats, oils, and oilseeds (table 40). U. S. exports consist mainly of soybeans, soybean and cottonseed oils, linseed oil, flaxseed, lard and tallow and greases. The United States now exports about 25 percent of the flaxseed and linseed oil that move in world trade, 40 to 50 percent of the edible oils and oilseeds, and over 80 percent of the lard, tallow and greases.

TABLE 40.--Fats, oils, and oilseeds: U. S. and world production and exports, and U. S. share of total, average 1950-54, annual 1955-57<sup>1</sup>

(Fat or oil equivalent)

Year	Production			Exports			U. S. exports as percent of U.S. production
	United States	World total	U. S. percent of total	United States	World total	U. S. percent of total	
	<u>1,000 short tons</u>	<u>1,000 short tons</u>	<u>Percent</u>	<u>1,000 short tons</u>	<u>1,000 short tons</u>	<u>Percent</u>	<u>Percent</u>
Av. 1950-54 .....	6,192	26,140	23.7	1,280	6,254	20.5	20.7
Annual:							
1955 .....	6,855	28,530	24.0	1,990	7,559	26.3	29.0
1956 .....	7,295	30,180	24.2	2,411	8,052	30.0	33.1
1957 <sup>2</sup> .....	7,375	30,600	24.1	2,500	8,185	30.5	33.9

<sup>1</sup>Includes 22 major vegetable, animal, and marine fats and oils. <sup>2</sup>Partly estimated.

Without the large U. S. supplies, world prices would be much higher and consumption would be reduced sharply, especially in a major importing area such as Europe. The export market is important to U. S. producers of oilseeds and meat animals. During the 1956/57 marketing year the United States exported about 20 percent of its production of lard, 25 percent of its cottonseed oil, and 45 percent of its tallow and greases; and 35 percent of the soybeans and flaxseed in the form either of seed or of oil.

Most of the major foreign exporters of fats, oils and oilseeds are undeveloped countries. In many of these, expanding industrialization is limiting or reducing the exportable supply.

## Edible Vegetable Oils

The United States in 1957 produced about 3.1 million tons of edible vegetable oils, including the oil equivalent of exported soybeans. This was equal to about one-fourth of the world's output. However, because many other important producers retain most of their production, U. S. exports comprised over 40 percent of world trade. In each of the last two marketing years, U. S. exports of edible vegetable oils totaled over 1 million tons, including soybeans in terms of oil.

Olive and sesame oils are usually the highest priced among the edible vegetable oils of the world. They enjoy special consumer preferences for use as a liquid oil, and their production is relatively difficult to expand. The other oils of the group--peanut, cottonseed, sunflower, soybean and rapeseed--compete directly with each other as ingredients for margarine and as liquid table or cooking

TABLE 41.--Oils, specified: Quoted prices at European ports and average German import values, average 1952-56

Item	Price per pound, c.i.f. European ports <sup>1</sup>	Value per pound of imports into West Germany
	<u>U.S. cents per pound</u>	<u>U.S. cents per pound</u>
Olive oil .....	34.8	30.9
Peanut oil .....	16.1	15.7
Cottonseed oil <sup>2</sup> .....	15.5	14.1
Soybean oil .....	14.4	14.7
Rapeseed oil .....	---	14.4
Sunflowerseed oil .....	---	14.1
Coconut oil .....	12.7	12.9
Palm oil .....	10.0	10.3
Whale oil .....	10.5	9.5

<sup>1</sup>Olive oil--North African, 1%, drums. Peanut oil--British West African, mostly 3-8%, bulk. Cottonseed oil--American, bleachable prime summer yellow, drums. Soybean oil--American, crude, bulk. Coconut oil--Straits, 3-1/2%, bulk. Palm oil--Belgian Congo, 6-7%, bulk. Whale oil--U.K., crude, bulk. Compiled from The Public Ledger, London.

<sup>2</sup>These averages reflect heavy sales for export from CCC stocks from the fall of 1953 through the summer of 1955, which depressed the international price of cottonseed oil below its usual relationships to other oils.

Northwestern Europe is the principal world market for edible vegetable oils, and margarine manufacturers are the chief buyers. There is also a considerable use as salad and cooking oils. In addition, in recent years much U. S. cottonseed and soybean oils have been imported into Spain and some other countries in the Mediterranean area, where the demand for liquid oils has risen faster than the production of olive oil. Most of these imports have been made under Public Law 480. In Spain and Greece the imported oil is blended with olive oil before sale to consumers, but in some other countries this mixing is prohibited.

Besides the United States, the major exporting countries of liquid edible vegetable oils are China, Nigeria, French West Africa, and in some years India. Recently, the Sudan and the Union of South Africa have been forging ahead. The countries in the Mediterranean area, taken as a group, also are important in supplying olive oil to the rest of the world (table 42).

The principal oil crops in China are soybeans, peanuts, rapeseed, and sesame seed. China's trade is rigidly controlled by the government. Exports depend as much on political considerations, needs for foreign exchange, and obligations under bilateral agreements as on the supply and demand situation for the particular commodities. A substantial share of China's exports of oils and oilseeds goes to the U.S.S.R., but in most years large quantities also reach West European markets and there usually are sales of a few million bushels of soybeans to Japan.

In Nigeria, peanuts are the leading oil crop. The price to producers for peanuts is fixed each marketing year by marketing boards. These boards have exclusive rights to buy peanuts (except for local trade) and they sell through a joint marketing agency. The prices to producers are set with a view to moderating year-to-year price fluctuations, but over the long run they are kept in line with

oils. The preferences of manufacturers and consumers, however, usually keep peanut oil higher in price than the others (table 41).

In European margarine manufacture, "hard" oils such as coconut oil, palm oil, and hydrogenated whale oil are blended with liquid oils to make a product of the desired consistency. To a considerable extent, therefore, "hard" and liquid oils are complementary; but within certain limits variations in price differentials will lead to substitution of one for the other. In postwar years, more palm oil and whale oil have been used in margarine than before the war, when a substantial percentage was used in soap. This shift in use has been facilitated by the availability for soap of large quantities of U. S. tallow at relatively low prices.



TABLE 42.--Vegetable oils, liquid edible<sup>1</sup>: World indigenous exports by areas and U.S. share, average 1950-54, annual 1955-57, with comparisons

Area	Average 1950-54	1955	1956	1957 <sup>2</sup>	Percent that 1957 is of 1950-54
Foreign exporting areas:	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>Percent</u>
Non-Communist:	<u>short tons</u>	<u>short tons</u>	<u>short tons</u>	<u>short tons</u>	
Nigeria.....	167	248	276	180	108
French West Africa	186	174	250	300	161
Sudan.....	34	50	65		
Union of South Africa..	17	40	55		
India.....	66	210	36	10	15
Egypt.....	8	10	8		
Mediterranean countries (olive oil only) <sup>3</sup> ....	81	87	58	90	111
Argentina.....	54	-	4	10	19
Others.....	237	209	237		
Communist countries:					
China <sup>4</sup> .....	211	248	297	250	118
Others.....	36	33	19		
United States.....	401	777	1,037	1,035	258
World total.....	1,498	2,086	2,434	2,317	155
U.S. percent of world....	<u>Percent</u> 27	<u>Percent</u> 37	<u>Percent</u> 44	<u>Percent</u> 45	--

<sup>1</sup>The oil and oil equivalent of cottonseed, peanuts, soybeans, sunflower seed, rapeseed, sesame seed, and olives. <sup>2</sup>Estimated. <sup>3</sup>Exports from all countries in the Mediterranean area minus imports into Italy and France. <sup>4</sup>Overland shipments, largely to Russia, are estimated in the postwar years.

the international market. Over the years the boards have made net profits, which have been used partly to finance development projects and partly to accumulate financial reserves to serve as a buffer against sharp declines in the world price for peanuts.

Peanuts also are the major oil crop in French West Africa. Minimum prices, set by the French Government, have usually been considerably above the world level. Consequently, nearly all the French African peanuts--partly in the form of oil--have gone to France. France, in turn, controls imports of edible oils and their seeds from foreign countries and permits these to come in only when needed to supplement supplies from the French Union and from domestic oil crops. Prices of domestic oilseeds also have been supported at levels above the world price.

The Government of India prohibits exports of oilseeds. Exports of oils are regulated through periodic export quotas, which are usually announced in December and June. The Government policy is to permit exports of the major edible oils--peanut, rapeseed, and sesame--only when domestic supplies are deemed to be ample and domestic prices reasonably low. While exports of cottonseed oil have been freely permitted, its production is small. Exports of vanaspati (hydrogenated vegetable oil) and salad oil are also freely allowed but have never totaled more than 20,000 tons in any year. The net effect of these regulations probably has been to keep edible oil exports from India smaller than they otherwise would have been.

## U. S. Exports

U. S. exports of edible vegetable oils in 1957 were about the same as the preceding year's record level of about 1.0 million short tons, including the oil equivalent of soybeans. This was a record high, reflecting large domestic supplies, a substantial P. L. 480 program which accounted for about 250,000 tons of soybean and cottonseed oils, and smaller than usual exportable supplies of oil in 1957 from other parts of the world. The Italian olive crop harvested in late 1956 was well below average; the 1956 Nigerian peanut crop was small; the Indian government did not allow any exports of peanut oil; and Chinese exports of oils and oilseeds were down, apparently because of a general food scarcity in that country.

U. S. edible oils and soybeans face stronger competition from foreign supplies in the 1957-58 marketing year. Preliminary estimates made in early fall 1957 indicated bumper crops of peanuts in Nigeria, French West Africa and India for harvest by the end of the year. The Mediterranean olive crop was expected to be somewhat larger than a year earlier. The 1957 rapeseed crops in Canada and Western Europe were up materially. Also, with strong anti-inflationary measures being taken in many countries of West Europe and in Japan, consumer incomes abroad may not increase as rapidly in 1958 as in most recent years.

Exports of edible vegetable oils and oilseeds before World War II came mainly from underdeveloped countries. Since then consumption in many of these countries has risen faster than production, owing to population increases and consumer incomes. Exports from China and India, the two leading major pre-war exporters, as well as from several lesser exporters, have declined substantially since prewar. This long-term trend is likely to continue, leaving room for increased exports from the United States to West Europe and other importing areas.

The record high U. S. exports of the last two years, however, have depended partly on exceptional circumstances, notably unusually low production of sunflowerseed in Argentina and of olive oil in certain Mediterranean countries. The P.L. 480 program has facilitated purchases by countries short of dollar exchange. World demand for U. S. edible oils in the next few years is not likely to expand at such a rapid rate as in the past few years. A catching-up period may be necessary.

Soybeans and oilmeals.--The oil equivalent of soybeans accounted in 1957 for roughly 40 percent of the total U. S. exports of edible vegetable oils and oil equivalent of seeds. About 85 million bushels were exported compared with 69 million bushels a year earlier (tables 43 and 44). Foreign demand for U. S. soybeans is based about as much on the need for the protein they contain as for the oil. For example, soybeans in Japan, our leading customer, are used principally for making food products and provide essential protein. As a result of increasing prosperity in Japan and restricted trade relations with China, Japan now takes at least 20 million bushels of soybeans a year from the United States, or about twice as much as five years ago.

Soybeans are crushed for oil in West Europe, but as in the United States the value of the meal produced is about as great as the value of the oil. European demand for protein feed has increased in recent years as rising consumer incomes have led to a greater demand for meat. U. S. soybeans are in a strong competitive position because they have nearly always been competitively priced and because many foreign exporting countries restrict exports of oilseeds in favor of the oil or meal, while European countries have a large crushing capacity and prefer the raw material. U. S. soybean exports to West Europe in 1957 were about 45 million bushels--more than six times as large as five years earlier.



TABLE 43.--Soybeans: World production by areas and U.S. share 1950-54, annual 1955-57, with comparisons

Area	Average 1950-54	1955	1956 <sup>1</sup>	1957 <sup>2</sup>	Percent that 1957 is of 1950-54
Foreign production:	<u>Million</u>	<u>Million</u>	<u>Million</u>	<u>Million</u>	<u>Percent</u>
Non-Communist:	<u>bushels</u>	<u>bushels</u>	<u>bushels</u>	<u>bushels</u>	
Brazil.....	3	4	4	5	167
Canada.....	4	6	5	6	150
Indonesia.....	11	13	13		
Japan.....	17	19	17	17	100
Others.....	8	7	9		
Total.....	43	49	48	51	119
Communist countries					
China.....	330	335	340	335	102
Others.....	11	10	11	10	91
Total.....	341	345	351	345	101
United States.....	298	374	456	491	164
World total.....	682	768	855	887	130
U.S. percent of world.....	<u>Percent</u> 44	<u>Percent</u> 49	<u>Percent</u> 53	<u>Percent</u> 55	--

<sup>1</sup>Preliminary. <sup>2</sup>Partly estimated.

Although most of the meal exported from the United States goes out in the form of soybeans, a sizeable portion (about 20 percent last year) is shipped directly as meal. Soybean meal comprised over 80 percent of the 520,000 tons of all oilmeals shipped in 1956-57.

U. S. exports of oilseed meals are filling the gap created by limited exportable supplies from other countries and rising demand in Western Europe. There has been a steep rise in West Europe's livestock numbers and an increase in the quantity of protein supplements fed per animal. Recently the United States has supplied about one-fourth of Western Europe's meal imports of 5.5 million tons annually, including the meal equivalent of oilseeds. The other principal world exporters are China, Nigeria, French West Africa, Argentina, the Philippines and Indonesia. In prewar days, China and India ranked first and third, respectively, but no longer hold these leading positions.

Exports from the United States in 1957-58 are not likely to rise above those of 1956-57. Except for a slight rise in hogs there is little change in animal numbers in West Europe, the chief world market. More meal may be available in foreign markets from competing countries because of expected increases in foreign peanut crops. The longer term outlook is favorable as livestock numbers, mainly poultry and hogs, in West Europe are expected to continue upward and world protein supplies other than oilseed meals appear limited.

Flaxseed and Linseed Oil.--The United States, Canada and Argentina are the major world exporters of flaxseed and linseed oil, with most of the shipments going to West Europe (tables 45 and 46).

In most of the recent years world prices have been below the U. S. support levels for flaxseed. U. S. exports have consisted mainly of CCC stocks that were acquired in price-support operations and were sold at competitive world prices. Canada does not support flaxseed prices. Argentina does, but at levels much



TABLE 44.--Soybeans (including soybean equivalent of soybean oil):  
World exports by areas and U.S. share average 1950-54,  
annual 1955-57, with comparisons

Area	Average 1950-54	1955	1956 <sup>1</sup>	1957 <sup>2</sup>	Percent that 1957 is of 1950-54
Foreign exporting areas:	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Percent</u>
Non-Communist:					
Brazil (soybeans).....	1	2	2	--	--
Others (soybeans).....	1	( <sup>3</sup> )	1	--	--
Total.....	2	2	3	2	100
Communist countries:					
China:					
Soybeans.....	23	27	25	20	87
Soybean oil in terms of beans....	4	1	--	--	--
Total.....	27	28	25	20	74
United States:					
Soybeans.....	30	68	69	82	273
Soybean oil (in terms of beans).....	24	12	62	75	312
Total.....	54	80	131	157	291
World total.....	83	110	159	179	216
U.S. percent of world.....	<u>Percent</u> 65	<u>Percent</u> 72	<u>Percent</u> 82	<u>Percent</u> 88	--

<sup>1</sup>Preliminary. <sup>2</sup>Partly estimated. <sup>3</sup>Less than 500,000 bushels.

TABLE 45.--Flaxseed: World production by areas and U. S. share, average 1950-54, annual 1955-57,  
with comparisons

Area	Average 1950-54	1955	1956 <sup>1</sup>	1957 <sup>2</sup>	Percent that 1957 is of 1950-54
Foreign production:	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>Percent</u>
Non-Communist:					
Argentina.....	18	9	24	35	194
Canada.....	10	20	34	20	230
India.....	15	15	17	14	93
Uruguay.....	4	2	3	3	75
Others.....	9	11	12	12	133
Total.....	58	57	90	84	145
Communist countries.....	25	26	30	30	120
United States.....	37	41	49	27	73
World total.....	120	124	169	141	119
U. S. percent of world.....	<u>Percent</u> 31	<u>Percent</u> 33	<u>Percent</u> 29	<u>Percent</u> 19	---

<sup>1</sup>Preliminary. <sup>2</sup>Partly estimated.

TABLE 46.--Flaxseed (including flaxseed equivalent of linseed oil): World exports by areas, and U.S. share, average 1950-54, annual 1955-57, with comparisons

Area	Average 1950-54	1955	1956 <sup>1</sup>	1957 <sup>2</sup>	Percent that 1957 is of 1950-54
Foreign exporting areas:	<u>Million</u>	<u>Million</u>	<u>Million</u>	<u>Million</u>	<u>Percent</u>
Non-Communist:	<u>bushels</u>	<u>bushels</u>	<u>bushels</u>	<u>bushels</u>	
Argentina.....	22	17	8	20	91
Canada.....	4	10	12	22	550
India.....	2	8	5	1	50
Uruguay.....	4	3	2	1	25
Others.....	3	2	2	3	100
Total.....	35	40	29	46	131
Communist countries.....	1	1	1	1	100
United States.....	10	12	13	18	180
World total.....	46	53	43	65	141
U. S. percent of world.....	<u>Percent</u> 22	<u>Percent</u> 23	<u>Percent</u> 30	<u>Percent</u> 28	---

<sup>1</sup>Preliminary. <sup>2</sup>Partly estimated.

lower than U. S. prices. Also, the Argentine Government maintains a complex foreign exchange system which readily lends itself to adjustments that can encourage or discourage exports of any given product. This system is used not only to affect the competitive position of its products in world markets but also to determine whether Argentine oilseeds or oilseed products will move abroad. In the past, its effect has been to prevent exports of flaxseed while allowing linseed oil and meal to move out.

Canada's production and exportable supplies of flaxseed have expanded sharply in the last few years. Restrictive quotas on farmers' deliveries of wheat to elevators, and a consequent heavy carryover on farms, have encouraged farmers to shift acreage from wheat to flaxseed. Marketing quotas were temporarily placed on the 1956 flaxseed crop but did not impede its orderly marketing. Except for these quotas, the Canadian Government has not played an active part in the production and marketing of flaxseed.

The 1957 Canadian crop is down drastically from last year but is still the second largest on record. Plantings rose to a new high but drought and disease cut yields 50 percent. Exportable supplies in 1957-58 will be moderately less than the year before because beginning stocks were larger.

Production in Argentina continues its recovery from the low levels of recent years and the 1957 crop probably will be the biggest since 1947, despite below-average yields.

The United States will have a tight supply situation in 1957-58 because the 1957 crop was drastically reduced by disease and heat damage. Exportable supplies from other countries, however, should be ample to meet foreign import demand unless communist countries sharply increase their imports.

In the long run the United States, which normally produces much more flaxseed than can be used at home, faces stiff competition from Canada and Argentina. Assuming price supports are at the level of recent years, the U. S. probably will be able to export at domestic price levels only in those years when foreign exportable supplies are considerably reduced by poor yields. About two years ago the Argentine Government adopted a policy of encouraging an expansion in the



acreage and production of flaxseed, which had declined to low levels. Support prices have been raised materially and the flaxseed/wheat price ratio has been increased. The marketing of the crop is being returned to the trade.

The long-term prospects for flaxseed would be changed greatly if the disease known as aster yellows, which in 1957 for the first time drastically reduced the U. S. crop, were to continue to menace the United States and Canadian crops.

## Competition in Specific Markets

The export demand for U. S. oilseeds, oils, and meals is not only affected by the size of competing foreign supplies but also by the preferences and special circumstances in foreign markets. While price is the most important single factor in foreign market for U. S. oilseeds and oilseed products, other factors such as the foreign exchange position, quality of the product, and the state of technological development are often critical factors in the competitive position of U. S. products in particular markets. To illustrate some of these factors, two foreign markets for U. S. oilseeds and oils are discussed below--West Germany and Italy.

West Germany.--Germany ranks second as an importer of U. S. soybeans. In 1957 about 80 percent of its imports were from the United States compared with 50 percent five years earlier. China is the only other major supplier (table 47). Factors favoring German imports of soybeans from the U. S. are found on both the demand and supply sides.

Germany's production of oilseeds is limited mainly to a relatively small quantity of rapeseed, and her fats and oils economy leans heavily on imports. Imports of soybeans into Germany are rising as a result of an expanding domestic economy, a well developed processing industry, good export outlets (mostly Scandinavian countries) for soybean meal, and an excellent foreign exchange position.

Also, unlike the United Kingdom or France, Germany does not have preferential arrangements with present or former dependent territories. German

TABLE 47.--Germany and Italy: Imports of specified items by country or origin, and U. S. share, 1954-56

Country of origin	Germany: Soybeans			Italy: Liquid vegetable oils <sup>1</sup>		
	1954	1955	1956	1954	1955	1956
	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>	<u>1,000 short tons</u>	<u>1,000 short tons</u>	<u>1,000 short tons</u>
United States.....	7.6	12.8	16.3	0.4		15.9
British West Africa....	---	---	---	.2	19.1	37.3
Mediterranean						
Basin countries.....	---	---	---	16.6	15.1	24.6
India.....	---	---	---	---	.5	17.4
Sudan.....	---	---	---	19.1	---	16.6
Sweden.....	---	---	---	.4	.1	9.3
China.....	1.1	3.3	2.6	2.0	---	6.8
Other countries.....	.5	.7	.6	6.0	13.5	47.5
Total.....	9.2	16.8	19.5	26.5	48.3	175.4
U. S. percent of total	<u>Percent</u> 83	<u>Percent</u> 76	<u>Percent</u> 84	<u>Percent</u> 2	<u>Percent</u> 0	<u>Percent</u> 9

<sup>1</sup>Cottonseed, olive, peanut, rapeseed, soybean, sesame, and sunflower seed oils and the oil equivalent of cottonseed, peanuts, rapeseed, soybeans, sesame seed, and sunflower seed.



holdings of gold and dollars have increased phenomenally in recent years, in mid 1957 they were 5.4 times the level of 5 years earlier, and in May 1955 restrictions on imports of oilseeds for dollars were removed. While there still are government controls on imports of oilseeds and oilseed products, they are not applied restrictively at present. Germany consumes practically all the oil produced from the soybeans but exports about 75 percent of the meal. Consumption of meal, however, is rising in Germany as livestock numbers and the mixed feed industry expand.

Aside from the United States, only moderate quantities of soybeans are available from other countries. The principal competitor is Mainland China where beans are usually available only intermittently and trade is entirely controlled by the government. The U. S. produces a large exportable supply year after year. These beans are readily available throughout the marketing year and move easily through a well organized private marketing system. Some countries have experienced difficulties on some of these points in their dealings with the Chinese Communists. Support prices on U. S. soybeans have seldom hindered sales for export at competitive world prices. The U. S. Government and the private trade have taken steps to meet the preferences of foreign customers. For example, in September 1955 the official U. S. standards for soybeans were revised to reduce the permissible percentage of foreign material. U. S. soybeans are higher in oil content than China's. This tends to give the U. S. some advantage in Europe where more emphasis is placed on oil than on meal.

Italy.--Italy has been an unimportant dollar market for U. S. oils and oilseeds, because of (1) its ability usually to obtain needed supplies from non-dollar countries; (2) restrictions on the use of dollar exchange; and (3) a policy of limiting imports in order to maintain prices of olive oil to domestic producers (table 47).

Italy's supply of gold and dollars has increased sharply over the past five or six years but use of these funds for U. S. imports is restricted mainly to industrial goods. Large quantities of inedible tallows and greases are imported from the United States, but the exchange control system effectively limits dollar imports of vegetable oils and oilseeds from the U. S. Italy gives priority to imports of these items from countries belonging to the Organization for European Economic Cooperation (OEEC). She also has bilateral trade agreements covering fats, oils and oilseeds with nine countries. Recently, peanuts from British West Africa have been the largest item among Italian imports of oilseeds and edible vegetable oils. Other major items in particular years have been sesame seed from British West Africa, the Sudan, and China, peanut oil from India, and rapeseed from Sweden.

Most of Italy's vegetable oil needs are met from domestic production of olive oil. Prices to growers are not supported directly but price protection is afforded by high taxes on imported competing oils, and often by requiring an importer to buy a specified amount of oil from Government stocks--often at a relatively high price--for every ton of oil imported. In addition, the Government pays part of the cost of storing excess supplies of olive oil and makes special arrangements for loans to be made on stored olive oil at reduced rates of interest.

There is a growing demand for oilseeds to be used for crushing to meet expanding requirements for oil and meal. But Italian imports of oilseeds will continue to come mainly from sources other than the United States as long as the present policy for use of dollar exchange remains in effect. Italy is importing large quantities of oil from the United States but almost entirely under P.L. 480 and other U. S. Government programs.

# FRUITS AND VEGETABLES

## Fruits

U. S. exports of fresh apples and pears during the 1957-58 marketing season are expected to increase. Fresh citrus exports during this period will probably decline though increased exports of citrus products are anticipated. U. S. raisin exports will be smaller because of the short crop and high prices. Prune exports during 1957-58 are expected to be heavy.

Exports of fresh fruit from the United States in 1956 rose substantially over 1955 for all types except apples which decreased slightly. Raisin exports were down sharply in the 1956-57 marketing year while dried prune exports increased considerably in the same period.

Apple and pear exports in calendar 1956 were only 22 percent and 37 percent, respectively, of the prewar average. Fresh citrus exports, however, were substantially above the prewar average. Raisin exports in 1956-57 were 83 percent, and dried prunes 63 percent, of prewar exports.

U. S. fresh apple and pear exports are expected to increase during 1957-58 (table 48). U. S. canned peach exports doubled in 1956, easily leading similar exports from all other countries. Dried prune exports by U. S. were up 38 percent in 1956 and will probably remain high.

Fresh Apples and Pears.--Foreign production of apples and pears has been rising in recent years. Except for occasional setbacks from bad weather, this has been a steady trend which is expected to continue, particularly in West Europe (table 49). Recent exceptions were the slightly decreased apple crop of 1955 and the sharply decreased one of 1957, both of which resulted from unfavorable spring weather. West European table pear production was down in 1956 and in 1957.

In 1956 when European apple production recovered and the total crop was above previous years, North American crops were low. These factors weakened European demand for American apples in 1956-57. However, European imports of U. S. pears increased in 1956-57.

The principal barriers to continued increases in exports of U. S. fresh apples and pears are those imposed on imports by most European countries. The U. S. Government continues to press for a reduction in these trade barriers.

With a much lower crop harvested in 1957, many European countries have canceled or reduced import controls to make fruit available to consumers and to prevent extreme price advances. As a result, a better export market than has been experienced in recent years is in prospect for 1957-58 for U. S. apples and pears.

European supplies of table apples and pears from the 1957 crop are now forecast at 165 million and 52 million bushels, respectively, or about 40 percent and 30 percent, respectively, below 1956 totals. North American crops are almost 10 percent above last year.

## Citrus Fruits

Fresh Citrus Fruit.--Spain is recovering rapidly from damages caused by the severe freeze in February 1956. With all other major producing countries continuing to increase production, the 1957 world orange crop was well above that of 1956. Competition in world markets will be keen; prices are expected to be lower; and U. S. exports will probably decline from the high 1956 levels. The freeze in Spain reduced the supply in European markets, and demand for citrus



TABLE 48.—Fruits, fresh and processed: Exports from major producing countries or areas, average annual 1950-54, 1955 and 1956

Commodity and Origin	Average 1950-54	1955	1956
	<u>1,000 boxes</u>	<u>1,000 boxes</u>	<u>1,000 boxes</u>
Apples and Pears, fresh: <sup>1</sup>			
United States.....	3,147	3,062	3,164
Canada.....	2,915	2,400	2,410
Argentina.....	3,663	3,761	4,073
Union of South Africa.....	1,202	2,125	2,308
Australia.....	4,577	5,979	5,804
Oranges, fresh:			
Winter:			
Mediterranean.....	45,819	59,536	50,348
Mexico.....	361	458	772
United States.....	3,705	4,659	4,851
Summer:			
Union of So. Africa.....	4,453	5,693	<sup>2</sup> 6,700
Brazil.....	1,275	1,448	1,350
United States.....	4,405	5,162	3,124
	<u>1,000 cases<sup>3</sup></u>	<u>1,000 cases<sup>3</sup></u>	<u>1,000 cases<sup>3</sup></u>
Peaches canned:			
United States.....	663	1,138	2,268
Canada.....	5	67	63
Union of South Africa.....	434	1,080	1,273
Australia.....	1,203	1,555	1,162
Pears, canned:			
United States.....	151	691	384
Union of South Africa.....	107	178	320
Australia.....	1,054	1,548	1,345
	<u>Short tons</u>	<u>Short tons</u>	<u>Short tons</u>
Raisins:			
United States.....	70,455	59,073	69,825
Australia.....	51,234	63,979	44,870
Turkey.....	54,129	36,702	53,366
Greece.....	41,202	61,008	36,517
Iran.....	28,139	41,907	41,185
Prunes:			
United States.....	45,233	40,167	55,622
Yugoslavia.....	9,988	34,406	12,572
Almonds, shelled:			
United States.....	1,818	1,003	8,146
Mediterranean.....	63,578	41,385	21,240

<sup>1</sup>Exports for European area not shown as most go to countries within the area. <sup>2</sup>Four months, May-August. <sup>3</sup>Cases of 24 No. 2-1/2 cans.

imports into Europe remained strong throughout 1956. Prices were relatively high.

The loss in Spanish production more than offset gains in other Mediterranean producing areas. Accordingly, U. S. exports met with less competition in West Europe, the major off-shore market, and U. S. exports increased substantially (table 50). In 1956, Europe imported 6.5 million boxes of fresh citrus from the United States, an increase of almost 45 percent over the previous year.

Grapefruit exports are also expected to meet greater competition from increasing production in Israel and the West Indies in 1957-58. However, the United States is still the world's major grapefruit producing country and exports should be maintained at about the 1956 level.



TABLE 49.--Fruit, deciduous: World production by area and U.S. share, average 1950-54, annual 1955 and 1956

Commodity and area	Average 1950-54	1955	1956
	<u>Million bushels</u>	<u>Million bushels</u>	<u>Million bushels</u>
Apples, table:			
Western Europe.....	241	212	282
Southern Hemisphere.....	30	33	36
Other foreign countries.....	43	46	62
Total foreign.....	314	291	380
United States.....	108	107	101
World Total.....	422	398	481
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
U. S. percent of world.....	26	27	21
Pears, table:	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>
Western Europe.....	82	83	74
Southern Hemisphere.....	11	11	11
Other foreign countries.....	10	12	16
Total foreign.....	103	106	101
United States.....	29	30	32
World total.....	132	136	133
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
U. S. percent of world.....	22	22	24

California lemons continued to dominate markets in West Europe and earn premiums over lemons from other areas. The major U. S. competitor is Italy. The high quality of American lemons is largely responsible for the favored position.

Processed Citrus Products.—Exports to West Europe, the main U. S. off-shore market for both single-strength and hot-pack concentrated orange juices, have increased sharply in recent years. Frozen concentrate is also likely to increase considerably as distribution facilities become available. Because of the short Spanish orange crop, U. S. orange juice exports encountered less competition in West Europe in 1956-57 than in 1955-56.

Exports of U. S. grapefruit products were below the large 1955-56 volume but well above those of 1954-55. The United Kingdom, principal prewar importer, admits only limited quantities of grapefruit sections from dollar areas. This action is designed to protect Commonwealth producers. However, there are possibilities of developing markets for U. S. processed citrus in other European countries, particularly West Germany.

The high quality and relatively low prices for U. S. citrus products should result in continuing increases of U. S. exports.

## Dried Fruits

Raisins.—The 1956-57 international raisin market generally was characterized by large supplies of foreign raisins contrasted with a relatively small supply of U. S. raisins (table 51). The season opened with U. S. raisins available from the industry's surplus pool at competitive prices. However, exhaustion of the limited volume in the pool, coupled with strong domestic demand for the non-surplus raisins, caused U. S. export prices to rise sharply.

TABLE 50.--Fruit, citrus: World production by areas and U. S. share,  
average 1950-54, annual 1955 and 1956

Commodity and area	Average 1950-54	1955	1956
	<u>Million boxes</u>	<u>Million boxes</u>	<u>Million boxes</u>
Oranges and tangerines:			
Mediterranean.....	101	101	100
Southern Hemisphere.....	63	67	70
Other foreign.....	38	43	48
Total foreign.....	202	211	218
United States.....	127	137	137
World total.....	329	348	355
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
U. S. percent of world.....	39	39	39
Grapefruit:	<u>Mil.bxs.</u>	<u>Mil.bxs.</u>	<u>Mil.bxs.</u>
Mediterranean.....	2	2	2
Southern Hemisphere.....	1	1	1
Other foreign.....	1	2	2
Total foreign.....	4	5	5
United States.....	43	45	44
World total.....	47	50	49
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
U. S. percent of world.....	91	90	90
Lemons:	<u>Mil.bxs.</u>	<u>Mil.bxs.</u>	<u>Mil.bxs.</u>
Mediterranean.....	14	14	16
Southern Hemisphere.....	3	4	4
Other foreign.....	--	--	--
Total foreign.....	17	18	20
United States.....	14	13	16
World total.....	31	31	36
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
U. S. percent of world.....	45	42	44

The season closed with U. S. raisins priced substantially above competing offerings. U. S. exports in 1956-57 totaled 50,557 tons compared with 79,394 tons in 1955-56. The outlook is for a further sharp decrease in U. S. exports during 1957-58 due to a short U. S. crop and high domestic prices.

Foreign production of raisins in 1957, though possibly 50,000 tons less than in 1956, was still slightly above average. The pack in Turkey (largest foreign raisin producer) was down sharply. Australian production in 1957 was substantially larger than the rain-damaged 1956 harvest; the Greek pack was above that of 1956.

Raisin exports by the major foreign producers are expected to be slightly below the 200,000 tons exported in 1956-57. This, coupled with the prospective sharp decrease in 1957-58 U. S. exports, will result in overall short supplies abroad and unusually high prices.

The Turkish Government has increased its grower support prices for 1957-58 from the equivalent of 14.6 cents per pound to 17.8 cents. At the same time it increased the export subsidy applicable to dollar, European Payments Union and sterling countries from 4.9 cents per pound to 9.7 cents—more than offsetting



TABLE 51.--Fruit, dried: World production by areas and U. S. share, average 1950-54, annual 1955-57

Commodity and area	Average 1950-54	1955	1956	1957 <sup>1</sup>
	<u>1,000</u> <u>short tons</u>	<u>1,000</u> <u>short tons</u>	<u>1,000</u> <u>short tons</u>	<u>1,000</u> <u>short tons</u>
Raisins:				
Mediterranean.....	184	183	248	199
Southern Hemisphere.....	83	95	70	86
Total foreign.....	267	278	318	285
United States.....	218	225	200	167
World total.....	485	503	518	452
U. S. percent of world.....	<u>Percent</u> 45	<u>Percent</u> 45	<u>Percent</u> 39	<u>Percent</u> 37
	<u>1,000</u> <u>short tons</u>	<u>1,000</u> <u>short tons</u>	<u>1,000</u> <u>short tons</u>	<u>1,000</u> <u>short tons</u>
Prunes:				
Mediterranean.....	26	35	6	16
Southern Hemisphere.....	14	18	18	17
Total foreign.....	40	53	24	35
United States.....	159	131	193	168
World total.....	199	184	217	203
U. S. percent of world.....	<u>Percent</u> 80	<u>Percent</u> 71	<u>Percent</u> 89	<u>Percent</u> 83

<sup>1</sup>Forecast.

the increased support price. The Greek Government has set a slightly lower 1957 "security" price than one year earlier. It has also appropriated funds for "collecting" up to 11,000 short tons of Sultanias should market prices drop below the "security" level. Australian raisins continue to be exported through the Australian Dried Fruits Board.

Prunes.--The 1956-57 season was featured by a big U. S. crop, exceptionally large U. S. exports, and very small foreign exports. Competing supplies were virtually nonexistent because of the 1956 crop failure in Yugoslavia, the largest dried prune exporter next to the United States.

Only Chile had significant quantities of prunes for export which were offered at keenly competitive prices. U. S. dried prune exports totaled 61,575 tons in 1956-57 compared with 38,477 tons in 1955-56. The outlook is for another season of heavy U. S. exports in view of below-average foreign supplies, further reduced U. S. prices, and an ample U. S. crop of excellent quality and desirable sizes. Liberalization of imports of prunes for hard currency by West European countries in recent years has enabled U. S. prunes to enter into these markets.

Foreign production of dried prunes in 1957 may be up about 15,000 tons, substantially above the unusually small volume produced in 1956. This was still below the 1950-54 average (table 51). The 1957 pack in Yugoslavia was below average though considerably greater than the short crop in 1956. Yugoslav stocks are negligible contrasted with heavy carryovers in earlier seasons. The last crop in France, a producing country on a net import basis, though larger than the 1956-57 pack, was also below average. The Chilean crop was above average.

Yugoslav exports will be several thousand tons larger than the small quantity of 1,400 tons exported in 1956-57, but still much below the 29,400 tons exported in 1955-56. Moreover, as in 1955-56, a substantial proportion will again move into Soviet bloc countries. Yugoslavia is able to command higher prices in these



countries than in West Europe, since availability of import credits rather than price is the predominant factor. The October 9, 1957, export exchange rate for prunes was slightly less favorable to Yugoslav exports than the rate of last season. Early 1957-58 indications are that U. S. prune prices are competitive with Yugoslavia's. However, the Yugoslav Government could shade prices or modify the exchange rate if marketing difficulties arise.

## Tree Nuts

In 1956-57, world supplies of tree nuts were only 10 percent less than a year earlier, but prices of some types of nuts varied widely.

The Mediterranean almond crop marketed during 1956-57 was very short for the second successive year. With foreign stocks exhausted and demand strong, almond prices opened at extraordinarily high levels. As the season progressed, resistance developed to the high prices bringing a lowered demand. By the end of the season, almonds were selling for less than half of the opening prices. As a result of the European shortages, the U. S. almond industry enjoyed a unique export season, shipping the record quantity of 7,596 tons at U. S. domestic price levels.

World filbert production for 1957 is estimated at 5 percent below the 1950-54 average, or 40 percent less than the record harvest of 1956. The 1956 foreign filbert harvest was the largest in history, mainly because of a record Turkish crop. The Turkish Government attempted to maintain the relatively good prices prevailing at the close of the 1955-56 season by setting a minimum export price and purchasing filberts through its cooperative. However, the pressure of large unsold supplies in Turkey resulted in sales below the official minimum price and subsequent reductions of the earlier official minimum price. Italian and Spanish prices also dropped sharply. End-of-season Turkish prices were 60 percent of the original official export price and still well below the official minimum. U. S. imports became greater toward the end of the season as foreign prices fell.

The 1956-57 foreign walnut situation was characterized by relatively strong and stable prices in face of a large Italian crop and short French crop. Imports into U. S. were very light as a consequence of (1) the large carryover of 1955-56 imported kernels; and (2) the good prices offered by European buyers.

In 1957-58, U. S. exports of almonds will meet more competition since a large crop has been harvested in the Mediterranean and prices are low. U. S. almond exports will probably decline from the 1956-57 level.

Some additional import competition may come from the Turkish carryover of old-crop filberts which are priced well below the new crop. However, old-crop prices have been rising. The 1957 foreign walnut pack is down in both France and Italy. With prices abroad likely to remain strong, there should not be serious import competition in walnut kernels during 1957-58.

## Canned Deciduous Fruit

During 1957, foreign and U. S. production of canned deciduous fruit declined an estimated 4 percent or 4 million cases from the record volume of 1956 (table 52). Total foreign production has remained unchanged. The United States pack, constituting 75 percent of the world production in 1957, decreased 6 percent.

Australia, the world's second largest producer and exporter of more than three-quarters of its canned fruit pack (principally to the United Kingdom) experienced severe flood damage in its peach orchards during 1956, resulting in a

TABLE 52.--Fruit, canned, deciduous: World production by countries and U. S. share, average 1950-54, annual 1955-57

Country	Average 1950-54	1955	1956 <sup>1</sup>	1957 <sup>2</sup>
	<u>Million cases<sup>3</sup></u>	<u>Million cases<sup>3</sup></u>	<u>Million cases<sup>3</sup></u>	<u>Million cases<sup>3</sup></u>
Australia.....	5	5.0	4.5	5.0
Union of South Africa.....	2	2.5	3.0	2.5
Other foreign <sup>4</sup> .....	10	12.5	14.5	14.5
Total foreign.....	17	20.0	22.0	22.0
United States.....	57	67.0	71.0	67.0
World total.....	74	87.0	93.0	89.0
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
U.S. percent of world.....	77	77.0	76.0	75.0

<sup>1</sup>Preliminary. <sup>2</sup>Forecast. <sup>3</sup>Equivalent 24 No. 2-1/2 cans. <sup>4</sup>Includes production from Canada, United Kingdom, Germany, and the Netherlands.

reduced 1957 peach pack. It will be several years before this damage is overcome and the pack returns to former production levels. The decline in volume, however, was offset by increased canned pear and mixed fruit production.

South Africa and Australia are the principal competitors of the United States for the United Kingdom market.

Canned peach production for 1957 was down sharply in South Africa due to adverse growing conditions. The packs for the 4 major canned fruit items were 17 percent below the 1956 volume. Four-fifths of the annual South African canned fruit pack is exported, mainly to the United Kingdom. Production of canned deciduous fruit in South Africa is still increasing while the Australian industry appears to be stabilized.

Rising economic standards and the drive toward self-sufficiency in other producing areas, such as West Europe, are stimulating the production of processed fruits.

The U. S. position was strengthened considerably in the world canned deciduous fruit market in 1956 when exports increased to 4.5 million cases (table 53). The gain in exports over 1955 amounted to 32 percent. However, 1956 exports were still 13 percent under the average prewar export volume. U. S. exports to West Europe increased 62 percent over 1955. In 1956, sales of U. S. canned fruits to West Europe amounted to 60 percent of all U. S. canned deciduous fruit exports, compared with 95 percent during prewar.

TABLE 53.--Fruit, canned, deciduous: U. S. exports, 1955 and 1956, with comparisons

Destination	1955	1956	Percent 1956 is of 1955 <sup>1</sup>
	<u>1,000 cases<sup>2</sup></u>	<u>1,000 cases<sup>2</sup></u>	<u>1,000 cases<sup>2</sup></u>
Western Europe.....	1,668	2,704	62
Canada.....	963	1,024	6
Other markets.....	769	754	-2
All U. S. exports.....	3,400	4,482	32

<sup>1</sup>Minus sign denotes decrease. <sup>2</sup>Equivalent 24 No. 2-1/2 cans.



Canada and the United Kingdom now are the most important markets for U. S. canned fruit. Before the war, the United Kingdom was by far the largest customer and Canada a negligible one.

During 1956, U. S. canned fruit exports to areas other than Canada and West Europe declined slightly from the previous season.

U. S. canned fruit prices and quality continue to be highly competitive throughout the world. Monetary and tariff policies followed by the United Kingdom and other countries have kept U. S. canned fruits from participating freely in those markets though there has been some liberalization of these restrictions.

There is a strong demand in the United Kingdom for U. S. canned peaches due to the short 1957 Australian and South African crops. West Germany's prosperity could result in an important market for U. S. canned fruits though to date import licenses have been issued only at infrequent intervals.

## Vegetables

Fresh, Frozen and Processed Vegetables.--Exports of vegetables are continuing their upward trend in both quantity and value. Although frozen vegetables are a relatively small part of the total, they have more than doubled in quantity and value during the past 3 years. Exports of fresh and processed vegetables are expected to continue the upward trend.

Imports have not shown a definite trend. Most imports are winter vegetables from Cuba and Mexico and potatoes from Canada. The volume of these imports depends largely upon 2 factors: (1) size of the foreign crop, which may vary widely depending upon the weather; and (2) the price levels in the United States. Imports drop sharply during periods of low U. S. prices. Most trade in vegetables and potatoes is with Canada, Cuba, Mexico and Venezuela.

## Competition in Selected Foreign Markets

In assessing the competitiveness of U. S. fruits in foreign markets, the most important considerations usually are comparisons of the landed cost and quality of the U. S. goods with that of competing countries. Other relevant factors may be consumer preferences, seasonal availability, dependability of supply, and terms of sale. In the following discussion, Sweden serves as an example of a foreign dried fruit market where these competitive factors have relatively free play.

On the other hand, there are foreign markets where national monetary and foreign trade policies have an over-riding influence on the sources of supply, regardless of competitive factors. The French dried fruit market provides an illustration.

Sweden.--Sweden has been and continues to be a good market for U. S. dried fruit. Before the war, U. S. raisins and prunes accounted for 83 and 99 percent, respectively, of total Swedish imports of these items. In the 1953-55 period the corresponding averages were 77 and 94 percent (table 54). Sweden completely liberalized its postwar restrictions on imports of dollar dried fruits in September 1954. Swedish consumers have a strong preference for California natural Thompson seedless raisins and prunes. The high standard of living in Sweden favors the consumption of superior quality U. S. dried fruits, even though U. S. prices are at times higher than those of competing countries.

Spain is the only other raisin-producing country which has consistently sold a significant volume to Sweden. Spain supplies a specialized market of muscat-type raisins for which there is a traditional but limited Christmas demand.



TABLE 54.--Raisins and dried prunes: Imports into Sweden by country of origin and U.S. share, 1949-53, annual 1953-55

Country of origin	Average 1949-53	1953	1954	1955
<b>Raisins:</b>	<u>Short tons</u>	<u>Short tons</u>	<u>Short tons</u>	<u>Short tons</u>
United States.....	1,187	2,180	4,402	3,831
Greece.....	236	18	36	( <sup>1</sup> )
Spain.....	365	423	562	529
Turkey.....	1,930	377	659	10
Iran.....	307	66	89	( <sup>1</sup> )
Union of South Africa.....	906	21	24	34
Other.....	363	27	75	80
Total.....	5,294	3,112	5,847	4,484
U.S. percent of total.....	<u>Percent</u> 22	<u>Percent</u> 70	<u>Percent</u> 75	<u>Percent</u> 85
<b>Dried prunes:</b>	<u>Short tons</u>	<u>Short tons</u>	<u>Short tons</u>	<u>Short tons</u>
United States.....	3,912	2,915	3,238	2,609
Italy.....	110	489	6	( <sup>1</sup> )
Yugoslavia.....	272	( <sup>1</sup> )	15	( <sup>1</sup> )
Chile.....	165	12	( <sup>1</sup> )	( <sup>1</sup> )
Other.....	53	71	25	8
Total.....	4,512	3,487	3,284	2,617
U.S. percent of total.....	<u>Percent</u> 87	<u>Percent</u> 84	<u>Percent</u> 99	<u>Percent</u> 99.7

<sup>1</sup>If any, included in "Other."

Yugoslavia and Chile were able to export small quantities of dried prunes to Sweden before import liberalization made them vulnerable to competition from U. S. prunes.

**France.**--Before World War II, France was an important customer for U. S. dried fruit. Almost half of the French raisin imports and over 99 percent of its prune imports were purchased from the United States. In recent years, however, France has virtually imported no raisins from the United States despite an increase in its total imports of raisins (table 55). Also, the U. S. share of France's prune imports--which have greatly decreased in aggregate--has been substantially reduced.

This reduction in the U. S. share of the French market is due almost entirely to the severe restrictions imposed by the French Government against importation of dollar fruit products. Only sporadic quotas and exchange allocations have been permitted for U. S. fruit. There are, furthermore, burdensome import levies imposed on dried prunes.

Yugoslav prunes have been granted access to the French market under a bilateral trade agreement.

Although France is now annually producing about 2,500 tons more prunes than before the war, its production still falls far short of demand. Furthermore, French prunes are high priced compared with U. S. prunes. In the 1956-57 season when the Yugoslav prune crop was very short and the French crop also small, the French Government permitted purchases of U. S. prunes. As a result, 5,385 tons of U. S. prunes were exported that year to France as commercial transactions.

Greece and Turkey currently supply the bulk of French raisin imports. In 1954 the French Government liberalized raisin imports from the OEEC area,

TABLE 55.--Raisins and dried prunes: Imports into France by country of origin and U. S. share, average 1949-53, annual 1953-55

Country of origin	Average 1949-53	1953	1954	1955
Raisins: <sup>1</sup>	<u>Short tons</u>	<u>Short tons</u>	<u>Short tons</u>	<u>Short tons</u>
United States.....	45	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
Greece.....	2,887	2,815	3,059	4,244
Turkey.....	1,500	1,662	3,364	3,002
Spain.....	441	348	840	( <sup>2</sup> )
Iran.....	335	746	1,128	600
Lebanon.....	238	884	127	( <sup>2</sup> )
Other.....	491	165	131	1,058
Total.....	5,937	6,620	8,649	8,904
U.S. percent of total.....	<u>Percent</u> 1	<u>Percent</u> ---	<u>Percent</u> ---	<u>Percent</u> ---
Dried prunes:	<u>Short tons</u>	<u>Short tons</u>	<u>Short tons</u>	<u>Short tons</u>
United States.....	2,053	4,311	739	1,427
Yugoslavia.....	523	901	253	2,747
Other.....	117	51	3	38
Total.....	2,693	5,263	1,049	4,212
U.S. percent of total.....	<u>Percent</u> 76	<u>Percent</u> 82	<u>Percent</u> 76	<u>Percent</u> 34

<sup>1</sup>Includes currants. <sup>2</sup>If any, included under "Other."

which includes Greece and Turkey. In June 1957, France suspended this liberalization in the course of dealing with a balance-of-payments crisis. Although this suspension is still in effect, it is apparent that non-dollar sources of raisins are being granted preference in the issuance of import licenses. Iran is the third largest supplier of raisins to France. Though only a negligible factor before the war, Iranian production and exports have increased materially over the prewar level.

These U. S. dried fruits would be generally competitive with other producing countries' offerings in France were the U. S. granted unrestricted access. There is also a definite consumer interest in France for the U. S. products.



# SITUATION BY AREAS

## CANADA

Canadian agriculture is steadily increasing its production capacity and efficiency. Domestic consumption of agricultural products continues to increase. Exports during fiscal year 1957-58 are likely to exceed the better-than average level of 1956-57.

Due to shortage of rainfall in the growing season the size of the grain crops in 1957 was below averages of recent years. The 1957 wheat crop of 374 million bushels is 200 million bushels below the very large crop of 1956, but is above the 1931-50 average. Much of the 1957 crop is especially high in protein. This will make wheat and flour sales easier than when it was below its usual protein level.

Adverse weather reduced the per-acre yield and quality of oats, barley, seed crops, and tobacco. The tobacco crop, estimated at 161.8 million pounds for all types, is about the same size as the 1956 crop. Weather and disease caused a decline in the flaxseed crop to 20 million bushels, compared with 35 million bushels in 1956.

Production of meats, dairy products and poultry products remained steady. The crop was again small in the case of apples and pears, but was about average for most other fruits. Vegetable crops varied, with potatoes somewhat larger than usual, at 42 million cwt.

Canadian imports of agricultural products from the United States exceeded its exports to the United States during most of 1956-57. In the last half of 1957 adjustments in Canadian prices stimulated important exports to the United States.

The high level of economic activity in Canada accompanied by strong domestic consumer demand and the premium for Canadian currency during the last year were again important factors stimulating Canadian purchases of a wide range of products in the United States, and generally depressed Canadian export trade. Many agricultural products were affected by this situation.

Live cattle and beef did not move in normal quantities from Canada into the United States during the last year until downward adjustments in Canadian prices took place in the fall of 1957. Export sales of pork by Canada were low because of relatively high prices and short supply in Canada.

Strong demand in Canada on the other hand, and adequate supplies in the United States were factors encouraging U.S. exports to Canada of corn, oilseeds, citrus fruit, apples, winter vegetables, cattle for slaughter, eviscerated poultry, and many manufactured foods. This demand and competitive prices in the United States helped greatly to increase Canadian imports of raw U.S. cotton.

U.S. exports of agricultural products to Canada in 1956-57 were \$374 million, an increase of 30 percent above 1955-56. Agricultural imports from Canada in 1956-57 were \$167 million, a decline of 1 percent from the level one year earlier.

Canada will continue to have certain advantages in the British market. Much attention has been given to supplying the type of product which meets demand in the United Kingdom. Canadian exports of most agricultural products to the United Kingdom also benefit from the preferential tariff treatment given Commonwealth supplying countries.

In the case of wheat the high protein content of the 1957 Canadian crop will place Canada in a better competitive position than last year for the U.K. market which ordinarily takes a substantial amount of high protein wheat for mixing with British wheat of low protein content.

Like those of the United States, Canadian sales to many west European countries are handicapped by restrictions against dollar imports which have been imposed because of balance of payments reasons.

The United States is the most favorable foreign market for Canadian cattle, meat, dairy and poultry products, fruits, vegetables, and coarse grains. Among the reasons for this are the equal U.S. treatment assured to all foreign suppliers, and the low relative freight costs between Canada and the United States.

Ways of increasing Canadian trade with the Commonwealth, and with the United Kingdom in particular, have been discussed in Canada within the last few months, and will be considered at the Commonwealth Trade Conference to be held in 1958.

## LATIN AMERICA

Prospects are good for maintaining a high level of U.S. agricultural exports to Latin America in 1958. U. S. farm products, however, will have to compete more and more strongly with those from Canada, Western Europe, and from Latin America itself. In fiscal year 1957 U. S. exports to Latin America increased 8 percent over those of 1955-56.

Agricultural products make up the bulk of U. S. imports from Latin America. The dollar exchange earning capacity of these countries depend primarily on U. S. imports of coffee, cacao, bananas, sugar, and other agricultural products, and the prices received for them. Growing mineral imports, however, provide significant quantities of dollars.

To relieve the drain on foreign exchange, economic development programs in many Latin American countries are geared to expand production of those commodities now imported. In many areas there is also increasing emphasis being devoted to expanding output of export products that will bring in additional dollars.

Funds for this development are coming not only from the countries themselves but also from loans by the International Bank for Reconstruction and Development, the Export-Import Bank of the United States, the economic development loans under P.L. 480, and a special regional fund recently established. These programs are expected to help develop mutually profitable trade in the years ahead by strengthening per capita incomes and purchasing power as well as providing export commodities to bolster foreign exchange earnings.

Latin America continues to compete with the U. S. in third markets for grains, flaxseed, and cotton, although during 1957 exports of cotton from Latin America decreased in proportion to the total on the world market because of the tremendous expansion in U. S. exports that followed this country's competitive pricing policy.

Economic Conditions.—In several Latin American countries and territories economic conditions improved during 1957. Gold and foreign exchange holdings continued their steady advance in 1956-57. In some countries, however, there are weaknesses in the immediate economic outlook due to declining prices of raw agricultural and mineral products, political instability, and drought. The increase in the gold and dollar holdings from June 30, 1956, to June 30, 1957, for example, was accounted for largely by the doubling of Venezuela's holdings. Aside from Venezuela, slight increases for Colombia, the Dominican Republic, Guatemala, Panamá, and El Salvador were more than offset by declines for Brazil, Chile, Mexico, Perú, Argentina, Cuba, and Uruguay.



The situation in Brazil is acute. Despite the abundance of natural resources and the long-range optimism for their development, the short term situation is clouded by a trade deficit of \$124 million in the first seven months of 1957 compared with a surplus of \$211 million in the corresponding period. Brazil needs a large export surplus to cover its heavy service and amortization payments on foreign debt. The principal export earner is coffee. The prospects for 1957-58 are for no increase in earnings from this crop and a possible decline. There is little hope that exports of other commodities will increase significantly in F.Y. 1958. A new tariff law effective in August 1957 may result in some additional restriction on imports but there was a general slow-down in economic activity during the summer partly due to uncertainties surrounding the future operation of the new law.

The seriousness of Colombia's balance of payments situation was highlighted in November 1956 when the Government passed a decree virtually prohibiting all imports except bare essentials. Since then restrictions have been relaxed slightly but the Government still maintains a long list of prohibited imports. A loan from the International Bank for Reconstruction and Development has provided some improvement in the country's balance of payments position.

Inflationary pressures continue in Argentina. The cost of living is rising, demands for higher wages continue, and gold and dollar reserves are dwindling. An unfavorable foreign trade balance also exists in spite of Government efforts to increase production and export of agricultural products. Since the items Argentina has for export are directly competitive with U. S. farm commodities, intensified efforts by Argentina to sell abroad also intensify competition with U. S. exports in third markets. Production in Argentina is beginning to show some increase and should expand further in 1957-58.

Argentina's position as a competitor will change little in 1958. There should be more corn available for export than in 1957, but wheat supplies may be down. During the first half of 1957 the volume of meat exports was greater than during the first half of 1956, but the value dropped.

Exports of animal fats were almost four times those of the same period of 1956. In Uruguay exports of canned and frozen meat increased in 1957 through forced slaughter of cattle because of dry pastures. Depletion of cattle numbers may force Uruguay to continue to import meat in 1958 for its own use.

The northern part of Latin America is relatively prosperous. In Venezuela particularly, business activity is high primarily due to large sales of petroleum. Imports continue to mount, but the percentage of agricultural products in the total is showing a small decline both in tonnage and value. Expanding domestic output is offering more competition to imports of U. S. farm products. The downward trend in proportionate tonnage of agricultural imports may be expected to continue, although rising imports of luxury food items will add to the value of imports.

Mexico's trade and payments balance worsened in 1957. But internal business activity has continued at a normal rate despite the damages from its earthquake in July. Exports are more diversified than those from Brazil, however, and much foreign exchange is obtained from the tourist trade and from bracero remittances.

The reduced corn crop in Mexico in 1957 will call for continued high imports in early 1958. This corn is being imported from the United States. The shift that has taken place in the composition of imports in the past few years from grain to breeding stock and raw materials can be expected to carry on in spite of the temporary increase in corn purchases.

The economic situation in Cuba is satisfactory in spite of uncertainties growing out of political tensions. Sugar sales were up considerably in 1957 and the

gross national product was estimated at about \$3 billion compared with about \$2.5 billion for 1956. Sugar prospects are good and indicate another prosperous year in 1958. Existing development projects will continue to attract new capital from both foreign and domestic sources. There are indications of further industrial development, reasonable progress in agricultural diversification, and a high level of private construction.

Economic pressures are partially responsible for mounting political difficulties in other countries also. These difficulties in turn will affect economic conditions in 1958.

Policies in Exporting Areas.—The principal Latin American countries and commodities that compete with U. S. products in other world markets are Argentina with its grain, linseed, and meat; Uruguay with its grain and meat; and Brazil, Mexico, Perú, and Central America with their cotton.

In Argentina the strict control of trade formerly exercised by the IAPI (Instituto Argentino de Promoción del Intercambio) and a complicated system of multiple exchange rates has been somewhat liberalized. Now a Meat Board and a National Grain Board supervise the trade in these products. The Government stimulates exports of its products through a system of "Aforos" (official valuations) and retentions. Competition is made easier because the proceeds received from the export sale in excess of the aforo value can be negotiated at the free market rate, which is considerably above the official rate. Trade and payments agreements and barter or supply agreements are still an important means of encouraging exports. In mid-1956, however, Argentina entered into an arrangement (the Paris Club) for multilateral clearing with several countries of West Europe.

Brazil's most effective method of regulating foreign trade is through exchange control over both imports and exports. The principal competitive export crop, cotton, is given a more favorable exchange rate than that on coffee. In addition the Government also supports the price of cotton to the grower.

Mexico has a system of compensatory exchanges to encourage the export of several products, principally cotton. Under this system the granting of import permits for a list of commodities is subject to the export of an equal value of the commodities the Government wishes to export.

Uruguay also is encouraging the production and export of its farm products, particularly wheat and wool. In recent months the Government increased the guaranteed price for wheat to the grower and adjusted the aforo and exchange rate for wool to stimulate increased sales.

Policies of Importing Countries.—The northern Latin American countries import the most U. S. agricultural products. Cuba remains the principal market in Latin America, followed by Mexico and Venezuela. All three are trying to become self-sufficient in many food and raw material items and are restricting imports of certain products. During 1957 Cuba's restrictive measures were largely non-tariff. There is a proposal now, however, to revise the entire tariff schedule. Since Cuba is a member of the General Agreement on Tariffs and Trade it will be necessary to renegotiate existing concessions with the Contracting Parties.

Mexico has a long list of agricultural products subject to permit and license. Certain basic food commodities are imported exclusively through the Government agency, Compañía Exportadora e Importadora Mexicana, S. A. (CEIMSA). From time to time the Government imposes a temporary embargo on the import of certain products and restricts imports of others for sanitary or health reasons. Mexico is continuing its trend toward self-sufficiency and diversification.

The Venezuelan Government is trying to expand production of corn, cotton, sugar, and oil seeds. The result has been increasing self-sufficiency and surpluses of some of these crops are available, particularly corn.



In southern South America, Brazil is the best U. S. market. Its foreign exchange shortage has led to severe restrictions on imports. The new tariff bill has raised the rates on imports to high levels. Although this was accompanied by some reform in the exchange control mechanism, it is not yet known what effect the new law will have on agricultural imports. Since Brazil is a member of the General Agreement on Tariffs and Trade it is necessary to renegotiate the concessions granted to the Contracting Parties.

Shifts in Trade Patterns.—Total trade between Latin America and the United States in the first half of 1957 gained over the same period of 1956: U. S. exports to Latin America were up more than a fifth, and imports were up about two per cent. From the Latin American side this resulted in a trade deficit for the six-month period compared with a surplus in the same six months of 1956. This exchange difficulty, together with other prospective developments for Fiscal Year 1957-58 may keep U. S. agricultural exports from expanding as rapidly as they otherwise might. On the other hand, drought has cut agricultural production in many areas and U. S. agricultural exports will be maintained and may even increase slightly.

In the coming years, Latin America can be expected to be a bigger market for wheat, rice, barley malt, lard and tallow, dairy products, and fruit. Population is expanding rapidly and the drive toward industrialization will accelerate the population movement toward the cities. This should bring more and more people into commercial life and create additional demand for farm products. This trend may be partially offset, however, by the development programs in operation or proposed that are directed toward self-sufficiency in food and fiber production.

In August 1957 the 21 American Republics held an economic conference in Buenos Aires to study the economic problems facing them. After a thorough airing of the problems, the countries adopted an economic declaration to maintain conditions which promote the maximum economic growth of each country; to promote expansion in the volume of trade and the reduction in barriers to inter-American and international trade; and to cooperate, either through intergovernmental consultations or other arrangements, in solving the problems of primary commodities.

This declaration should be a positive factor in augmenting trade between the United States and Latin America. Furthermore, a proposal was made at the conference that the countries explore the possibility of a "common market" for the area. Several suggestions have been made, but to date little specific action has been taken.

Specific shifts in the trade pattern in the next year or two may be expected in several countries, particularly Venezuela and Cuba, as these countries mill more and more of their wheat flour requirements. Previously they have been excellent markets for wheat flour--but now, they will shift more and more to imports of wheat. During 1957 baby chick imports into Venezuela were practically supplanted by the import of hatching eggs. In addition, large imports of dairy breeding stock will probably lead to a reduction of powdered milk imports.

Even with some shifts in the patterns of U. S. trade with Latin America, the principal exports over the next year will continue to be wheat and flour, rice, fats and oils, dairy, and poultry products. As in the past, most of this trade will be for dollars and without grant aid, although there are several P. L. 480 agreements with Latin American countries for sales of agricultural products for foreign currencies.

## WEST EUROPE<sup>13</sup>

West European imports of U. S. farm products increased in fiscal year 1956-57 to 36 percent above 1955-56, in value terms. Shipments to West Europe accounted for nearly 48 percent of total U. S. farm exports in 1956-57, or about the same as the year before.

The large increase in U. S. exports to this area was due principally to a spectacular rise in cotton shipments. The quantity of cotton shipped there in 1956-57 was over 5 times as great as the small 1955-56 exports. This increase was far greater than the increase in cotton exports to the rest of the world.

West Europe also took much more wheat in 1956-57 than in the preceding year, and there were gains in shipments of fats, oils and oilseeds, fruit, meat, and dairy products. Exports of tobacco, feedgrains, and food for relief declined.

The major factors in the favorable development of exports to West Europe in 1956-57 were the adoption of a competitive pricing policy for U. S. cotton in 1956, a poor quality European wheat crop, continued favorable trends in wholesale and retail buying power, special U. S. export programs, and European stockpiling of cotton and wheat.

Prospects for 1957-58.—Present prospects are that U. S. farm exports to West Europe will be lower in 1957-58 than in 1956-57. Cotton exports, which last year represented 29 percent of the total, will almost certainly be lower, in spite of present competitive prices for U. S. growths. The reason is abnormally high European stock holdings. Wheat and probably fats and oils exports will be lower mainly because of larger West European output.

The circumstances which resulted in near-record agricultural exports to West Europe in 1956-57 were in part exceptional. Nevertheless, the outlook for many products remains favorable. The economic situation in most countries continues good, though accelerated inflationary trends are intensifying balance-of-payments difficulties in several countries.

The situation during 1956-57 was complicated by the Suez crisis and, in France, by the Algerian war, and a short 1956 wheat crop. Britain, France, the Netherlands, Belgium and Denmark each drew on credits from the International Monetary Fund in the year ending October 1957. Most of these and some other countries also took internal financial and fiscal measures to ease the payments problem. France alone went so far as to re-impose quantitative restrictions on imports previously liberalized. It also took measures in August and October 1957 that in effect devalued the franc by 20 percent. Finland devalued the finmark by 39 percent in September 1957. Five months earlier, in unifying its exchange rates, Spain partially devalued the peseta.

Export Policies and Programs.—As in 1955, nearly one-fourth of West Europe's gross agricultural imports in 1956 came from within the area. These countries also compete, though to a lesser extent, in other overseas markets for farm products. Except for France, they make their sales for the most part without assistance.

France assists agricultural exports chiefly to foreign countries, since it has a protected market in the French franc area. Export assistance for grain, meat, livestock, wine, sugar, butter and other farm products in 1956 cost the French Treasury the equivalent of \$185 million (350 francs to the dollar). This sum is equal to 26 percent of the value of total agricultural exports (as defined by the French) in 1956, or 43 percent of such exports to foreign countries.

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<sup>13</sup>All Europe except the Communist countries.



Exports of bacon and butter from the Netherlands are at times assisted. The Italian Government has assisted exports of wheat and wheat flour to dispose of surplus stocks of soft wheat during late 1956 and 1957. The United Kingdom in the first four months of 1957 exported over 44 million eggs to the Continent on which the producer subsidies actually exceeded the export value of the eggs. Since then the U.K. Government has agreed to prevent the export of eggs benefiting from subsidies.

The only form of export subsidy in Denmark is a 6 percent premium on dollar sales. Sweden, under its new farm policy, can use funds originating from import and domestic fees on certain agricultural products to assist exports of the same or related products.

Exports of most West European countries benefit from the trade liberalization program of the Organization for European Economic Cooperation (OEEC), which calls for progressive removal of quantitative restrictions on imports from member countries and their overseas territories. Under this program, a high proportion of intra-West European trade has been liberalized. According to the terms of the OEEC Liberalization Code, French exports still enjoy the advantages of liberalization measures taken by other OEEC countries despite the recent French action of deliberalizing imports.

With imports of many agricultural products liberalized to OEEC countries and other areas, bilateral trade agreements play a less important role in West European trade than they did some years ago. Nevertheless, they are still an important means of promoting exports of products that remain subject to quantitative import restrictions in countries inside as well as outside of the OEEC area.

Trade among members of the European Economic Community (EEC), or common market, will benefit when EEC is established. The Common Market Treaty was signed in March 1957. By October 1957 it had been ratified by France, Germany, and Italy, and was in process of ratification by the other three signatory nations, the Netherlands, Belgium, and Luxembourg. A resolution to establish a "free trade area," linking the common market countries with other OEEC countries, was unanimously approved by the Council of OEEC on October 17, 1957. Like the common market, the free trade area plan calls for gradual elimination of tariffs and trade restrictions within the area on many commodities. Unlike the common market, which is to have a common external tariff, the free trade area plan would permit member countries or groups of countries to retain their own barriers against the outside world.

Production and Import Policies and Programs.—Nearly all West European countries protect domestic agriculture. The goal of raising farm living standards, efforts to maintain or increase output for national security and balance-of-payments reasons, the desire for political and social stability, the problem of numerous small farms and underemployment on farms, and the pressure from farm interests are factors which make any considerable modification of this protection unlikely. However, there seems to be an increasing awareness that steps to increase productivity and make domestic production competitive rather than maximum protection may be the more desirable policy in the long run.

Remarkable increases in productivity already made, mainly through better technology actually applied on farms, account in large measure for the increase in agricultural output in West Europe, now more than one-fourth above prewar. A recent study<sup>14</sup> estimates that for West Europe, excluding the Mediterranean countries, the rate of increase in total productivity since 1950 has been 2 percent per year, and in labor productivity 4 percent per year. The growth of total output and of productivity is likely to continue at high rates, though not as high as in the

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<sup>14</sup>"Technological Factors in the Expansion of Agricultural Production in West Europe, USDA FAR No. 102, October 1957.

recent past. It is therefore probable that West Europe's farm production will become more genuinely competitive, for technological reasons, and even without intensification of government support.

During 1956-57, several countries made progress in liberalizing dollar farm products. For example, Italy and Austria liberalized cotton; 11 West European countries now admit U. S. cotton without quantitative restrictions. Sweden liberalized soybeans, bringing the total number of countries which admit them free to eight. No additional countries have liberalized tobacco, which had previously been liberalized by seven countries.

Relatively few foods have as yet been liberalized to the United States by more than three or four of the countries. For oranges and rice, the number of liberalizing countries rose during the year from three to five, for prunes from four to six, and for raisins from four to five. Sweden liberalized wheat during the year, with the proviso that quantitative restrictions may again be applied if the domestic price falls below a fixed minimum level; the United Kingdom is the only other country which does not now have quantitative restrictions on wheat imports.

Despite the progress made in dollar liberalization during the past few years, discrimination against dollar imports continues to handicap American agriculture in its efforts to compete in West European markets. Only the Benelux countries, Switzerland, and Greece have liberalized to the dollar area essentially the same list of agricultural products that are liberalized to OEEC countries and their overseas territories.

Preferential tariffs and bilateral agreements also continue to be a handicap. In the fall of 1956, the United Kingdom and Australia renegotiated the trade agreement they concluded at Ottawa in 1932, when the system of imperial preference was established. On the agricultural side, the outstanding feature of the new agreement is the expression of the "desire and expectation" of the two governments that commercial sales of Australian wheat and wheat flour in the United Kingdom should amount to not less than 28 million bushels of wheat equivalent annually.

Shifts in Sources of Imports.—The U. S. share in West Europe's agricultural imports, which had fallen from 15 percent in 1951 to 10 percent in 1953 and 1954, and then increased to 11 percent in 1955, again increased to 12.5 percent in 1956. The year 1956 was the first one since 1952 in which intra-West European trade did not increase its share (24 percent) in total West European agricultural imports. This was principally due to the sharp drop in France's wheat crop and Spain's citrus crop, which ordinarily account for substantial intra-European trade. Canada increased its share slightly to a little over 4 percent, but the combined share of the British Commonwealth countries (excluding the United Kingdom) dropped from 34 percent in 1955 to 31 percent in 1956.

## EAST EUROPE (EXCLUDING THE SOVIET UNION)<sup>15</sup>

Competition from East European agriculture for West European markets will probably be stronger in 1957-58 than in 1956-57. Bountiful harvests in most parts of the region should permit a reduction in food imports and an increase in exports of grain, livestock products, fruits, vegetables, sugar and tobacco.

However, the movement of food imports and exports is likely to reflect the increase in production only in part. Most of the communist countries are attempting to raise their low living standards, a policy that gained momentum after the

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<sup>15</sup>Poland, Czechoslovakia, Eastern Germany (the Soviet Zone of Occupation), Hungary, Rumania, Yugoslavia, Bulgaria, and Albania.



Hungarian revolt in 1956. At the same time, Hungary, like Yugoslavia in 1952, abolished compulsory deliveries, and so did Rumania for the most part. Poland and Bulgaria have reduced them. Therefore the authorities in these countries cannot exact from the farmers what they once could for their central pools, which are fed also, if necessary, by imports and drained to meet urban requirements and to export.

Good harvests and better prices have eased the problem of supplying the central pools in 1957-58. A desire to maintain the pool at relatively high levels, as insurance against poor crop years, which come frequently in the Danube Basin area, may well curb the decrease in imports and increase in exports.

East European agricultural exports go mostly to West Europe and the Soviet Union. Exports to West Europe have fluctuated at much lower levels in postwar years than in the 1930's. They rose sharply, in absolute value, in 1956 over the 1955 level. Yet in 1956, West Europe's imports of farm products from East Europe came to only about \$300 million compared with more than \$2 billion from the United States. Meat and live animals accounted for more than half of the \$300 million, grains for only 16 percent, fruits and vegetables for 14 percent, and sugar and tobacco for 5 percent each.

In contrast to exports, East Europe's imports of farm products have been well above the prewar level in most postwar years. This once important grain exporting region has been a net importer of grain for the past three years, at least. It has always been a net importer of fibers. In recent years, large purchases have been made not only in other communist but also in free world countries.

Known shipments of farm products from the free world to East Europe in 1956 exceeded \$650 million. Of this amount, the United States exported 14 percent, West Europe 29 percent, Africa and Asia (including the communist countries) 33 percent, Latin America 12 percent, and Canada, Australia, and Zealand 12 percent.

The U. S. exports practically all went to Yugoslavia, mostly under U. S. aid programs and Public Law 480 agreements. They consisted chiefly of wheat and cotton. With a bumper crop in 1957, Yugoslavia will import less wheat in 1957-58 than in 1956-57. But the decline in U. S. shipments to Yugoslavia will be offset, in large part at least, by shipments to Poland, which is to take about 18 million bushels under a U. S.--Poland agreement concluded in 1957. Poland is also to take some U. S. cotton.

Grains alone accounted for nearly one-fourth of total known exports from the free world to East Europe in 1956, and cotton for another fifth. East European grain imports are likely to decline within the next decade if the authorities maintain the present agricultural policies which put more emphasis on economic incentives and less on compulsion than hitherto in the effort to expand output. Cotton production will probably continue to cover only a small part of total requirements.

## WEST ASIA<sup>16</sup>

West Asian countries produce several major crops that are competitive with those produced in the United States. Some of these countries depend heavily on agricultural exports to earn needed foreign exchange. In view of the extensive development programs by countries of the area, competition with the United States is likely to continue in the future either directly through increasing exports, or indirectly through increased production to replace imports.

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<sup>16</sup>Iran, Turkey, Iraq, Syria, Lebanon, Israel, Jordan, Cyprus, and the Arabian Peninsula.

Traditionally, the region has been successful in exporting substantial quantities of its outstanding specialty crops -- oriental tobacco, dates and other dried fruits, nuts, and citrus. Some of these have competed with similar U. S. products in world markets. In recent years, the production of certain basic crops -- mainly wheat and barley -- has been expanded and intensified. This has resulted in large competitive surpluses of these items in good years. Moreover, West Asian countries have succeeded in the production of relatively new crops, aiming at exports or at meeting growing internal demands. Cotton has been the outstanding example.

Yet, within this competitive pattern, the U. S. has been able to maintain exports of agricultural items to west Asia. The value of these in 1956 was \$115 million, largely wheat and feed grains (56 percent), with smaller quantities of dairy products, fats and oils, meat products, and a few others. Israel was the leading customer, taking 42 percent of the total. Turkey was a close second, but mainly because of drought resulting in wheat shortages that have been met largely by P. L. 480 imports.

Supporting Policies.—An outstanding feature of agricultural development in West Asian countries is that it has been, to a large extent, planned, initiated, aided, and controlled by the states. Agricultural objectives and policies have been determined in the light of national policies and economic needs. Consequently, much of the agricultural effort in these countries has been readily aimed at increasing production and exports, and to save and to earn foreign exchange.

To attain this strongly coveted objective, the various governments have adopted several types of supporting measures. Outstanding among those are (1) exclusive or dominant commodity purchases by government agencies or monopolies; (2) control of exports through cooperatives or other organizations; (3) payment of export premiums, directly or indirectly; and (4) bilateral, multilateral, or barter trade agreements.

Here are a few actual examples. Export controls reach the peak of comprehensiveness and efficiency in Toprak, the government trading agency of Turkey. It has full control of the purchase, export and import of wheat and other grains. Member countries of the Arab League in the region enjoy special tariffs and other trade facilities. Israel has an import duty on cotton; other countries have adopted various types of import control. Almost all of the countries are a party to a number of bilateral or barter agreements. Hard currency controls and different exchange rates (official and free or black market) are maintained by several of these governments.

The competitive impact of these major policy objectives and measures has been softened appreciably by the emergence of significant counter-balancing trends. Leading among these have been steady population increases, expansion of industry and urbanization, and demands for higher levels of living among the masses. These, with other factors, have resulted in a much greater expansion of domestic consumption than had been anticipated, leaving smaller volumes available for export. Thus Turkey's textile mills have been rapidly catching up with its total cotton production. Also its growing population, particularly in rural areas, has been consuming more and better wheat flour, and a greater variety of other food items. Similar trends have arisen in other surplus producing countries, although not to the same extent.

Current Situation and Outlook.—The current (1957-58) competitive position of West Asia is summarized as follows: Turkey, the largest grain producer in the area, harvested an average wheat crop in 1957, after a succession of short crops since the bumper harvest of 1953, but increased domestic consumption will keep Turkey out of the export market, except possibly for some barley and durum wheat. In fact, it will need to import wheat from the U. S. again in 1958.



More of the country's cotton crop will be consumed internally, and less will be available for export. Its traditional export crops -- oriental tobacco, dried fruits and nuts -- will be available in normal quantities. Turkey's difficult economic situation will continue to exert great pressure for the curtailment of imports, and for the encouragement of exports by all possible means. One possible outcome of the situation is the devaluation of the lira.

Syria, an expanding producer and competitor in grains and cotton, harvested excellent crops in 1957. Large surpluses of wheat, barley and cotton will be available for export. Following the Suez crisis in late 1956, Syria had difficulties in disposing of its surpluses in its usual European market. In recent months, however, it has regained part of that market, and has shifted a significant part of its trade toward the communist countries. It has concluded with them large scale economic aid and trade agreements involving most of its agricultural exports. This trend is likely to continue, and may tend to reduce competition for U. S. products in free world markets.

Iraq, like Syria, has been expanding its agricultural production by using some of its large oil revenues. It has a great potential in its land and water resources. Its surpluses of wheat and barley this year are unusually large, and will create additional competition in world markets.

Iran, an oil producing country, has embarked on long-range agricultural development. The increasing demands of its large population are much greater than those of Syria and Iraq. Its competitive agricultural surpluses, therefore, are not likely to be as important. So far cotton has been the outstanding competitive crop, but on a much smaller scale than that of Syria.

The other countries of the region are predominantly importers of agricultural products. The outstanding exceptions are the exports of citrus from Israel and the apples from Lebanon. Both countries have been increasing these exports and competing more vigorously in European markets. Also Israel, a normal importer of U. S. cotton, already is producing one-half its cotton requirements.

The level of economic activity for the region in general is high, following a difficult period during and after the Suez crisis. The oil countries of Iran, Iraq, Saudi Arabia, Kuwait and Bahrein have resumed their large foreign exchange earnings. The beneficial effect of this condition is also felt in some of the neighboring countries. Through various aid channels, Israel and Turkey will get their agricultural imports from the United States. Most of the region, therefore, will have ample means to finance its development programs and pay for its imports from abroad.

## THE FAR EAST<sup>17</sup>

Far East agriculture in general produces exportable surpluses of products which are complementary to United States exports. The area also competes with the United States in certain products, mainly cotton, tobacco, and rice. In addition it exports several vegetable oils (for example, coconut oil) which compete indirectly with, and may be substituted for, vegetable oils which the United States exports.

The area is also an important market for U. S. agricultural commodities. Japan, the only highly industrialized country there and a large exporter of manufactured goods, is one of the world's leading importers of agricultural products

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<sup>17</sup>Pakistan, India, Ceylon, Burma, Malaya, Thailand, Laos, Cambodia, S. Vietnam, Indonesia, Philippines, Formosa, Japan, and S. Korea.

and the top market for several U.S. farm products. Industrial development programs in India and some of the other countries are also resulting in increased demand for agricultural imports in the Far East.

Pattern of Agricultural Trade.—In order of their importance, the leading agricultural exports from Far East countries are rubber, tea, rice, vegetable oils, sugar, raw jute and cotton. Leading agricultural imports are wheat, rice, cotton, tobacco, vegetable oils and oilseeds.

About one-third of the total trade of the region is intra-regional; about one-fourth with West European countries; and nearly one-fifth with the United States. Trade with communist countries constitutes less than five percent of the total trade of the region. In 1956 the value of U.S. agricultural exports to the Far East was \$891 million. U.S. imports of agricultural commodities from the Far East were \$782 million. These quantities accounted for 21.4 percent of total U.S. agricultural exports and 21.3 percent of agricultural imports.

Economic Conditions.—During 1957 the foreign exchange position of the Far East countries generally deteriorated. Japan, although reaching unprecedented levels of industrial production, is finding it difficult to maintain a favorable balance of payments. Its gold and dollar assets on June 30, 1957, were \$756 million, a decline of \$415 million in a year. Contributing to this decline was an increased amount of imports of capital goods for productive purposes; food imports also were rather large.

In 1957 Japan had to reduce imports wherever possible. This included virtual across the board decreases in agricultural products. Decreases in foodgrain imports were made possible by unusually good domestic rice crops in the past two years.

India, Pakistan, Ceylon, and Malaya experienced payment difficulties in 1957. These difficulties stem mainly from the heavy import demands of their economic development programs. During 1957 India cut back sharply the licensing of imports of consumer goods by private traders to conserve foreign exchange which sank to extremely low levels. Government imports of foodgrains were not covered by these restrictions. Industrial growth in both India and Pakistan was made during 1957. Both countries, particularly India, have had to fight inflation.

The Philippines also had balance of payment difficulties in 1957, when its foreign exchange reserves dropped to new low levels. Gold and dollar assets of \$249 million on June 30, 1957, were \$57 million below a year earlier. The Philippines also experienced further inflationary pressures in the last half of 1957.

Burma and Thailand have fared relatively well the past year. They disposed of all available surplus rice supplies in world markets, although at reduced prices.

Export and Production Policies and Programs.—With few exceptions, Far East countries have agricultural policies and/or development programs that call for substantial increases in both agricultural and industrial production. These policies have been brought on by (1) the need to feed and clothe the rapidly increasing population; (2) the need to accelerate exports to increase foreign exchange earnings; (3) the desire to become self-sufficient; and (4) the increasing raw material requirements of the expanding industries. Several Far East countries have adopted 5-year plan goals.

If these goals are reached, it could mean some increase in competition for U.S. products by Far East products in world markets. But the greatest impact is likely to be a declining demand for American farm products in this large and populous area. Production of farm products will almost certainly increase in every country, but the increase may be no faster than the increase in population in most countries.



India's agricultural production increased substantially during its First Five Year Plan which ended March 31, 1956. This plan merged into the Second, which calls for an over-all increase of 28 percent in farm output, including production boosts of 58 percent for cotton, 25 percent for foodgrains, and 37 percent for oilseeds.

The country's principal farm products that compete with U. S. products in international trade are flue-cured tobacco, vegetable oils, and certain staple lengths of cotton. These new goals seem unrealistically high, particularly since certain favorable factors that aided fulfillment of the First Plan period are not likely to be repeated in the Second.

The export policy of the Indian government is to encourage but control exports and to promote export of specific commodities, such as cotton textiles and tobacco. As a member of the British Commonwealth, India receives certain preferences from other Commonwealth countries. Bilateral trade agreements help determine volume and direction of India's exports, and barter is occasionally practiced. All exports are subject to licensing except those under Open General license or made on government account.

Pakistan's First Five Year Plan, dating from 1956, calls for boosts in farm output of 38 percent in cotton; 13 percent in foodgrains; 29 percent in oilseeds; and 16 percent in tobacco. It is unlikely that many of these targets will be achieved. Cotton is Pakistan's chief competitive commodity but its exports are not entirely competitive with U.S. cotton because of differences in staple length and quality.

Pakistan's export trade is controlled by quotas and licensing. Export duties on jute and cotton are an important source of revenue. Pakistan also is a member of the British Commonwealth and receives certain preferences in trading with other Commonwealth countries.

In Burma and Thailand rice is the main agricultural export and both countries are encouraging greater production for export. Both Burma and Thailand now export about 2 million tons of milled rice annually, mainly to the Far East. Each of these countries leans heavily on trade agreements to direct shipments of rice; Burma has some barter commitments.

Malaya, Indonesia, the Philippines, and Ceylon export little agricultural products in direct competition with the United States. Their policies are principally concerned with self-sufficiency. Indonesia does export a little (around 10,000 tons) tobacco, but prospects are for smaller exports. This group of countries also exports coconut oil and/or copra and palm oil which compete against some of the U.S. vegetable oils and oilseeds in world markets. The Philippines has expanded tobacco production until it has some surpluses, but at least for the present the quality is not acceptable in world trade and offers no immediate competitive threat to U.S. leaf exports.

Import Policies and Progress.—The main concern of U.S. agricultural exports in the Far East is primarily one of competing with products from other areas for this market. Competition is complicated because practically no country of this area has enough foreign exchange to permit complete freedom of imports. All of the countries must manage with frugality both the volume and direction of their scarce foreign exchange.

Imports of U.S. agricultural commodities into the region under P.L. 480 agreements have been important. Most countries of the area have had P.L. 480 agreements. Foodgrains have been the principal imports under the agreements, but cotton, tobacco, dairy products and some fats and oils have also been included. Shipments and loans under P.L. 480 have helped these countries materially in their development programs, which should eventually establish better markets for U.S. farm products in this area.

Japan will continue to need increasing quantities of agricultural products to supplement its food supply and provide raw materials for industry. Wheat, cotton,

rice, barley, soybeans, tallow, and hides and skins are purchased in great bulk by Japan. In recent years, the United States has had about 40-45 percent of the Japanese market for these products. But Japan has foreign exchange problems and is trying to diversify its trade to conserve dollars.

A recent trade agreement with Australia is an example. This agreement puts Australian wheat, barley, tallow, hides, dairy products, and raisins into the Japanese market in competition with U. S. products in exchange for special tariff treatment for Japanese exports to Australia. Prices must be competitive to attract Japanese purchases. The countries which will buy from Japan are the ones that will share increasingly in Japanese purchases.

In recent years India has been an important market for U.S. wheat, high-quality flue-cured tobacco, cotton of certain staple lengths, and other farm products. Australia has been the principal U.S. competitor in sale of wheat. India also is getting increasing quantities of cotton from Kenya and the Sudan. United States has faced little competition from foreign sources for India's supply of high-quality tobacco leaf, but this market has declined due in part to higher quality of Indian leaf.

India offers tariff concessions to other members of the British Commonwealth. Imports are licensed for the most part; exceptions are government imports and some Open General license items.

Pakistan imports sizable amounts of U.S. wheat, rice, cotton, dairy products, and tobacco. Most shipments, however, have been made under U.S. Government programs. Tobacco is the only commodity for which a steady commercial demand has developed. The need for U.S. tobacco and other farm products is expected to continue. Pakistan's ability to buy on world markets is rather limited. It turns to Australia for some of its wheat and buys most of its rice from Burma and Thailand. The bulk of agricultural imports is foodgrains and is handled by the government, therefore is not subject to quota or licensing as most other imports are.

Burma and Thailand traditionally import very little from the United States. Some few commodities, principally dairy products and tobacco, have gone into these countries from United States under government programs. The heavy purchases of dairy products, principally condensed milk, are from Oceania and West Europe, while the imports of wheat flour are mainly from Australia.

The Philippines imports large quantities of wheat flour, meats, cotton, and dairy products; the United States has been the primary supplier. Past U.S. political ties with this country have been reflected in the trade agreement by which U.S. products receive preferential treatment. This tariff concession is being reduced in steps. In the long run the United States will face more competition for this market. The Philippine market for U.S. tobacco has closed up because of increased domestic production.

Ceylon is a commercial importer of rice, wheat flour, sugar, dairy products, and tobacco. United States has little of the market of this Commonwealth country. Ceylon has recently extended its trade agreement with Communist China.

The basic agricultural import of Malaya and Indonesia is rice, traditionally from nearby Thailand and Burma. Imports of dairy products and wheat flour are also important. The United States has not supplied much of this market commercially. However, the United States has shipped sizable quantities of rice, wheat flour, tobacco and cotton to Indonesia under P.L. 480.

Prospects for 1958.—There will be no basic change in the U.S.-Far East Trade pattern in 1958. A significant feature of 1958 trade may be Australia's extreme drouth of 1957, and poor rice crops in India, Thailand, Cambodia, and S. Vietnam. Australia will undoubtedly not be able to fulfill its trade agreements and traditional markets in this area, particularly for wheat, wheat flour, and barley. The United States may well capitalize on this situation, especially in Japan, Pakistan, and India.



# AFRICA

The northern zone of Africa<sup>18</sup> produces major crops that are similar to those of the United States and in some instances the two areas are significantly competitive. The countries of the region depend heavily on agricultural exports for foreign exchange so that competition with the United States is likely to be maintained. It will be either direct, through increased exports, or indirect, through increased production to replace imports.

The outstanding competitive item has been the cotton of Egypt and the Sudan. These two countries lead in world markets with exports of extra long staple varieties. Whereas Egypt has practically reached its capacity in this field, the Sudan has resources for substantially increasing its production.

Other competitive items have been the citrus crops of Algeria, Morocco and Tunisia (at least indirectly through special market support in France); and the grain crops of the latter two in good years. Also Egyptian rice has become an increasingly important export item. With its abundant cheap labor and limited land, Egypt finds it more profitable to export rice and import wheat, than to grow more of the latter.

There is, however, a complementary aspect to the trade relation between this region and the United States. Ethiopia is a large producer and exporter of coffee, and the Sudan of gum arabic. Morocco, Tunisia and Algeria export alfa grass and cork, and the latter two olive oil. The United States buys some of these items, and Europe is a ready market for them. Also the United States has been able to export on a fluctuating basis substantial quantities of wheat and tobacco and smaller quantities of other items to the region. The total value of these exports, including those to the Canary Islands, amounted to \$47 million in 1955 and \$77 million in 1956. The increase was largely due to grain crop shortages in some of the countries in 1956.

Trade relations with the rest of Africa, below the Sahara, are basically different. Mineral resources are abundant, and so are various important tropical crops, such as coffee, cocoa, rubber, palm products, sisal, and others. All of these command steady and growing markets in Europe and the U.S. There is, therefore, no shortage of hard currencies, and there is less aggressive competition with temperate zone products.

There are, however, some outstanding exceptions in the situation where competition with U. S. products is significant. The most important products are the peanuts of West Africa; corn of the Union of South Africa, the Federation of Rhodesia and Nyasaland, and Angola; tobacco of the Federation; and citrus of the Union.

Regardless of this competitive aspect, the United States established in the region a growing market for some of its agricultural exports. The total value of these amounted to \$37 million in 1955 and \$44 million in 1956. They consisted mainly of wheat and flour, tobacco, and inedible tallow. United States agricultural imports from the region in these two years were much greater, amounting to \$279 million, and \$271 million, respectively.

Supporting Policies.—The agricultural policy of Egypt has been dictated by two compelling needs: to meet the demands of a rapidly growing population on limited land; and to earn foreign exchange for development and for imported consumer goods. Cotton has been by far the main earner of such exchange, followed by rice. To encourage exports, Egypt has been compelled to adopt all kinds of supporting measures—acreage allocations for major crops, government purchases, price supports, export subsidies, bilateral or barter agreements, and others. Its economic viability is heavily tied up with the fate of its cotton crop.

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<sup>18</sup>Ethiopia, Somalia, Sudan, Egypt, Libya, Tunisia, Algeria and Morocco.

Until very recently, Tunisia and Morocco were tied up politically and economically with France. Their agricultural production and exports were adjusted to metropolitan needs and policies. Consequently, they enjoyed competitive facilities within the franc zone. Since gaining their independence in 1956, these two countries have been making adjustments and developing their own agricultural policies. The situation is still transitional, but a familiar pattern seems to be emerging. This is dictated by two compelling needs: to earn foreign exchange for further development, and to raise living standards among the people. Emerging agricultural development plans call for expanded irrigation, agrarian reform, mechanization. The objective is to increase production as much as possible, both for increased domestic consumption and for exports. The two countries have already engaged in bilateral trade or barter agreements, aiming at maintaining or expanding their markets.

The economies of Africa below the Sahara, with the exception of Liberia, have been closely integrated with those of the European countries concerned: United Kingdom, France, Belgium, Portugal and Spain. Their agricultural production and export policies have been inspired and guided primarily by these mutual interests.

Thus two major trends have emerged over the years, with competitive impact on U.S. trade. The first has been the persistent encouragement of certain competitive export crops—corn, peanuts, cotton, tobacco and citrus—mostly for the European market. Special development programs, guaranteed prices, export aid and facilities, regional agreements, and other measures have been adopted for this purpose. The second trend has been the imposition of certain controls and restrictions on dollar imports.

Current Situation and Outlook.—Egypt is likely to pursue its recent policy of shifting its trade toward Russia and other communist countries. It is party to several trade agreements and arrangements aimed in that direction. Probably the United States will not have a share of Egypt's large wheat imports, amounting to 750,000 tons in 1957-58. These will be supplied by communist and other sources. The deals include triangular arrangements for Syria and Italian wheat. Also France may supply large quantities of wheat flour against Egyptian cotton. Similarly, U.S. tobacco exports to Egypt, which declined substantially in 1956, may decline further. On the other hand, the disposal of much of the Egyptian cotton through communist markets may reduce competition for U.S. cotton in the free world. This is also largely true of Egyptian rice, with one exception. Some of it is being sold to Japan, where it competes with U.S. rice exports.

Since the Suez conflict, Egypt has suffered a series of economic difficulties, including disrupted business activity, curtailed imports, a dollar shortage, and difficulty in disposing of the cotton surplus. This tight situation will force Egypt to continue its current measures in support of cotton exports for hard currencies, or in barter for needed imports. Some of these are the granting of special premiums on cash dollar sales; allowance of certain proportion of sales to United States and Canada in barter for tobacco and other commodities; and special discounts by traders. Also Egypt is likely to continue its tight controls on imports, particularly those from hard currency countries. The Sudan, which has been steadily expanding cotton production, is experiencing special difficulty during the 1957-58 season in disposing of its large surpluses. It successively reduced reserve minimum prices, and as a result sold some additional cotton. It is vigorously seeking additional openings in Europe. Its storage facilities are inadequate; and cotton is the major pillar of its economy. The Sudan, therefore, must sell, through special deals and arrangements, either to the communist countries, or to the free world. This is likely to enhance competitive atmosphere. This experience may have a sobering effect upon the Sudan's plans for large-scale expansion of irrigation and cotton production.

Morocco, normally an exporter of grains, suffered a 50-percent decline in its current production, because of severe drought. It will depend largely on imports



from the United States to meet its needs. So will Libya, which is normally a deficit producer of grains. Continuance of the conflict in Algeria will force that country to depend more than usual on imports of grains and other foodstuffs. The U.S. has become an important source of supply. Tunisia harvested good crops in 1957, but will not be a net exporter.

The countries below the Sahara are expected to offer the usual competition in some of their crops. The Union of South Africa will have a record corn crop in 1957 and large exportable surpluses, and so will the Federation of Rhodesia and Nyasaland. West Africa (both British and French) will have record peanut crops. Also, the Federation will have larger quantities of peanuts for export in 1957-58. Furthermore, this country will continue to be a major competitor of the United States in flue-cured tobacco, although it has lowered its production goals. The Union will continue to expand citrus production. Its orange exports to Europe have been increasing since 1953, and may reach 9 million boxes by 1961. Production of rice and cotton continues to be encouraged in some of these countries, both for domestic consumption and for export. The same is true of milk and butter in Kenya and the Union.

There are indications of shifts in production policy for some crops in some countries. The Union in 1957 began a ley-cropping scheme (a modified "soil bank" plan). Under this plan the Union Government will bear a part of the cost of converting corn and other grain land to short-term improved pastures for dairy and beef cattle. In the Federation efforts are being made to convert some corn lands to peanuts and pastures.

On the other hand, U.S. agricultural exports to this part of Africa are likely to increase. There are no dollar shortages. Furthermore, the current wave of economic development and awakening among the masses will result in higher standards of living. There will be more demand for agricultural items from abroad. Wheat and flour will be on top of the list.

It is too early to assess the competitive aspects of the European Common Market, as they relate to Africa south of the Sahara. There is a likelihood that oil-seeds from this region will reach the markets of Europe at lower tariffs than soybeans, cottonseed, and peanuts from U. S. farms.

## OCEANIA

Australia and New Zealand, the two major countries included in this area, have only 4 percent of the world's population, but normally supply about 12 percent of the world total of farm products entering international trade. Current drought conditions in Australia may temporarily reduce exports of farm products during 1958 while New Zealand's exports are expected to show slight increases. The policy of both countries will continue to emphasize agricultural production and exports.

## AUSTRALIA

The similarity of Australia's agriculture to that of the United States creates competitive problems between the two countries in their marketing of agricultural commodities abroad. Also, the United Kingdom, Japan and India are important foreign market outlets for both Australian and United States farm products.

Despite poor crop conditions and drastic reductions in all grain exports, Australia is expected to continue efforts in 1957-58 to solidify the position of Australian products in established markets and explore possibilities for additional markets for agricultural products. With very low exportable availabilities of wheat in 1957-58, it

is anticipated that every effort will be made to maintain wheat exports to New Zealand and token flour shipments to all established overseas markets in an effort to preserve Australian brand names. Promotion programs for commodities, other than grains, are also expected to be intensified in the United Kingdom, Japan, Southeast Asia, Philippines, and certain continental European countries.

In 1957 Australia received certain marketing assurances for her agricultural exports by negotiation and implementation of two bilateral trade agreements; one with the United Kingdom and the other with Japan.

Under the terms of the agreement with the United Kingdom, a revision of the Ottawa Agreement of 1932, Australia is assured continued preferences for most of her agricultural products in the United Kingdom market and has a virtual commitment that the United Kingdom will purchase 28 million bushels of Australian f.a.q. soft wheat each year. Australian meat exports to the United Kingdom are subject to a special 15-year agreement through 1967.

To adjust a serious trade imbalance with Japan, Australia's second largest market, an agreement with Japan was signed in July granting Japanese imports most-favored-nation tariff and non-discriminatory currency and licensing treatment for the first time. In return, Australia received certain market guarantees in the Japanese market until 1960 for wool, wheat, barley, sugar, raisins, beef tallow, hides and skins and non-fat dried milk.

Considerable import relaxations were made in 1957 but little benefit was derived by U. S. agricultural exporters. Most imports of agricultural commodities of interest to U. S. suppliers such as cotton, tobacco, hops, hog casings and resin are imported under an "all countries source" provision permitting importers to secure goods on a sales replacement basis from the supplier with the cheapest price. Imports of commodities from dollar areas, however, are still subject to considerable government exchange and licensing control because of certain dollar deficits.

Australia is heavily dependent on all agricultural exports for foreign exchange earnings. To enable imports to rise at a rate commensurate with the increase in population (2.5 percent annually), the rising living standards, and the maintenance of the large-scale development projects now underway, increased exports are necessary. While exports of manufactured products are being pushed, farm products must for the foreseeable future make up the bulk of any increased export earnings. Australia, therefore, may be expected to continue government policies of increased production and the promotion of exports of farm commodities.

## NEW ZEALAND

Development of new marketing outlets for New Zealand's meat and dairy products has been emphasized by the government during 1957-58. Although New Zealand's total production of animal products is not great, its population is small and a large proportion of its output is available for export.

Wool, the chief export commodity, enjoyed an exceptionally good season but other export commodities were marketed with difficulty. Prices for meats rallied toward the end of the 1956-57 season with larger shipments of beef to the United States and development of a market in Japan. Increased shipments of beef to these markets is also forecast for 1958.

Exports of butter and cheese suffered from low prices in the United Kingdom market. Average prices most of the year were below the guaranteed price to producers. As a result, the Dairy Industry Fund was called upon to make up guaranteed prices to producers to the amount of \$28 million. Unusually large stocks of cheese were carried over at the beginning of the 1957-58 season.



Greater attention is being given to Southeast Asian countries as a market and the United States can expect more competition in this area in animal products. Non-fat dried milk is getting down to a price now where New Zealand can compete with the United States export prices of this commodity in Asia.

Apple exports also suffered from marketing difficulties as the result of inadequate cold-storage facilities prior to shipping and some shipments arrived in the United Kingdom in poor condition. Additional cold-storage space is in the process of construction and will be ready for the most of the 1957-58 season.

Exports of wool and all refrigerated items were subjected to freight rate increases in 1957, particularly to the United Kingdom and continental European markets. Additional refrigerated shipping service was made available for cargo to Japan and other Southeast Asian countries.

Aside from United States tobacco, our agricultural products generally do not find a ready market in New Zealand unless supplies are unavailable from Commonwealth producers. Some citrus from California has been imported in recent years to supplement short seasonal periods when Commonwealth citrus is not available. Raisins and prunes are also imported from the United States when unavailable from Australia.

New Zealand's import policy is still formulated on the basis of dollar exchange conservation which also tends to limit purchases from the United States.

## SOVIET UNION

Soviet competition on the world markets has been traditionally centered on wheat and other small grains. Reduced 1957 grain crops, due to drought, will decrease the Soviet capacity to compete on the world grain market in 1957-58 as compared with the previous year, which was marked by a record harvest and government collections. However, the necessity of heavy grain shipments in 1956-57 to the satellite countries of East Europe because of poor crops and a tense political and economic situation may have reduced potential Soviet exports to the free world. With an improved crop picture in East Europe in 1957-58, the demand for Soviet grain from this source is likely to diminish. Some exports of wheat, therefore, to countries outside the Soviet orbit are possible despite a smaller Soviet harvest.

In general, the Soviet government, which has a complete monopoly of foreign trade, is motivated in its trade policies not only by traditional economic factors but also by political, propaganda, and strategic considerations. An example is the recent drive for politico-economic penetration of underdeveloped countries, in which the Soviet Union is willing to accept the agricultural surpluses of such countries (rice, cotton, cashew nuts, raisins, etc.) in exchange for capital goods, armaments and technical aid.

From a long-range standpoint, a threat of increased Soviet competition in the world wheat market is raised by its large wheat expansion program. The Soviet wheat area increased by more than 50 million acres during 1954-57 to 172 million acres in 1957. A still further expansion is planned. This has taken place primarily on marginal land in the Eastern subhumid zone in which a short growing season, light precipitation and frequent severe droughts make the average yield per acre low.

It is possible, therefore, that Soviet wheat acreage may not be maintained at so high a level in the future, especially if the hazards of continuous cropping are to be avoided. Increased consumption of the growing population of the Soviet Union, the need for stockpiling and the heavy feed supplies required for expansion of livestock production (a high priority official goal) all militate against large grain exports. However, so long as the wheat acreage is maintained around the present

high level, large crops and government collections of grain are likely to result in years of average or above average yields. Such a situation could help Soviet exports.

## MAINLAND CHINA

Mainland China, like the United States, has a wide selection of crops and live-stock and exports some of its surplus products. This makes the agriculture of the two countries competitive rather than complementary. China earns about 70 percent of its foreign exchange by exporting agricultural products. Included in these exports is a wide selection of different items, but soybeans, rice, and tobacco are the major products that compete most seriously with U. S.-produced crops.

This competition comes into sharpest focus in bidding for the markets of West Europe and Japan, areas that are major outlets for U. S. agricultural commodities. Any gains that China makes in these markets could be at the expense of U.S.-grown products. China, because of its low level of consumption, can ill afford to export much of its agricultural produce. But the Chinese Communist policy of selling farm products abroad, even though the population is in dire need of more food and clothing, is well established.

Exporting agricultural products is a vital part of China's overall industrial development plan. Exporting, in this light, must be—as the regime sees it—subordinated to and coordinated with the larger plan for industrializing China. Thus, the needs of an ambitious industrial building program and not the critical need for consumer goods dictate export policy. Trade is carried on by the State and is used for political and diplomatic purposes as well as economic. Under these incentives, the government can and will export farm products even though it may mean hunger for the Chinese people.

There is a limit, however, beyond which it does not appear feasible for the regime to go in enforcing austerity. That limit is imposed by the fact that the people must have a certain amount of food if they are to carry out the heavy work program demanded of them. Also, widespread famine generates dangerous political unrest.

Indications are that the Chinese authorities are finding it increasingly difficult to stay abreast in the race with population growth. The forward momentum of industrial development which reached a peak in 1956 slowed perceptibly in 1957. The State admittedly over-extended its resources in 1956 and had to slow down for retrenchment.

Lagging agricultural production is cited as one of the major reasons for faltering economic growth. Exports of grains, edible vegetable oils, pork, and live pigs have reportedly been curtailed in a move by the regime to placate the population in the face of mounting signs of economic distress and the troublesome political unrest to which economic difficulties give rise.

Eighty percent of China's foreign trade is said to be with Communist countries. During 1957 several free world countries, though not including the U. S., relaxed restrictions on strategic trade with Communist China. This move - it was hoped - would lead to increased trade. It is not expected, however, that any big increase will take place soon owing to China's inability to pay for larger quantities of imports, and to the announced official Chinese policy of relying increasingly on domestic industry for more and more of the machinery and construction materials required in industrialization.



# COMPETITION STUDIES DURING 1957

As part of its continuing work under regularly appropriated funds, Foreign Agricultural Service studies the foreign competition facing U. S. farm products abroad, both on a commodity and world area basis. The studies conducted in 1957 form the basis for this publication.

Listed here are publications on this work released in 1957 and a list of the studies now under way. Copies of published competition reports are available by writing to Foreign Agricultural Service, U. S. Department of Agriculture, Washington 25, D.C.

## By Commodities

Cotton, Rayon, Synthetic Fibers, Competition in Western Europe, FAR No. 95, January 1957. A 58-page economic analysis of inter-fiber competition in West Europe.

Cotton and Chemical Fibers, Competition in Japan, FAR No. 97, July 1957. A 32-page economic analysis on the competitive position of U. S. cotton in Japan.

Mexican Cotton, FAR No. 98, July 1957. A 40-page report on the production of cotton in Mexico, with analysis of economic conditions affecting potentials.

Turkish Cotton, FAS-M-18, July 1957. A 10-page review of Turkish production, exports, and domestic needs of cotton.

Syrian Cotton, FAS-M-19, July 1957. A 10-page review of Syrian cotton production and exports and prospects.

Egyptian Cotton, FAS-M-20, July 1957. A 9-page report on trends in production and export of Egyptian cotton.

International Trade in Bread and Coarse Grains, FAS-M-22, July 1957. A 65-page report on competition for exports.

Union of South Africa an Increasingly Important Competitor in World Corn Markets. A 20-page report on the country's corn industry, especially its development under governmental encouragement as a competitor in world corn markets.

Wheat Price Supports in Foreign Countries. Analyses of supports in several foreign deficit and surplus producing countries, and released through Foreign Crops and Markets and Foreign Agriculture Circulars.

Some Economic Aspects of the Dairy Industry in Australia, FAS-M-25. Analysis of the factors which enables Australia to play an important role in world dairy product markets.

Competitive Aspects of the Dairy Industry in New Zealand, FAS-M-26. Analysis of the factors which enable New Zealand to compete effectively in world dairy product markets.

Tobacco Production in Northern Hemisphere, FT 4-57, August 1957.

World Tobacco Production in Calendar Year 1957, FT 6-57, December 1957.

World Flaxseed Production and Trade, FFO, 5-57.

The Situation and Outlook for U. S. exports of Fats, Oils and Oilseeds, and Oilseed Meals, FFO 15-57.

Fats and Oils Economy of Thailand: (Situation and Outlook), FFO 16-57.

Production of Canned Sliced Apples in the Netherlands, Unnumbered Report, February 12, 1957. A 9-page report on production costs of the Netherlands canned sliced apple industry and the impact of Dutch sales in the U.K. and other foreign markets.

Citrus Industry of Southern Africa, FAR-103, September 1957. An 89-page report on the citrus industry of the Union of South Africa.

Olive Production and the Table Olive Industry in Spain, FAR-92, June 1956. A 20-page report on the Spanish table olive industry.

Survey of the Cuban Fruit and Vegetable Industry, FAS-MP-15, April 1957. A 13-page report covering production costs and marketing methods used in the Cuban winter vegetable and fruit industry.

U. S. Trade in Livestock, Meat and Meat Products, FLM 9-57, June 1957. A 21-page report on U. S. exports and imports of meat and meat products.

Recent Trends in Argentina's Livestock Industry, FLM 11-57, July 1957. A 30-page report on Argentina's livestock industry and trade as it competes with U. S. exports.

World Production and Trade in Meat and Meat Products, FLM 4-57, April 1957. A 13-page report on world production, trade and consumption of meat and the U. S. share of the production and export trade.

### In Progress

Cotton in Five Eurasian Countries (Greece, Iran, Iraq, India, and Pakistan). West African Cotton Production Potentials. East African Cotton Production Potentials. Cotton and Chemical Fibers: Competition in Spain. Individual reports on the competition for export outlets for bread and feed grains on basis of actual exports by countries of destination and a description of government price supports and export aids for the following countries: Canada; Argentina; Australia; and France. World export of bread and feed grains during 1956-57 by countries of origin and destination with comparisons for earlier years. A consolidated report on types of governmental price supports for wheat in the major wheat and flour importing and exporting countries of the world.

The Poultry Industry in the Netherlands: Analysis of the factors which underlie the Netherlands' preeminent position as an exporter of shell eggs. Tobacco Production and Trade of Canada. Production and Trade in Oriental Tobaccos. Competitive Prices of Tobacco in International Trade, By Type of Tobacco. The Citrus Industries of Argentina, Brazil and Chile. The Indian and African Cashew Nut Industry. Italy's Olive Production and the Italian Table Olive Industry. The Canned Deciduous Fruit Industries of Australia and South Africa. Production and Trade of Meat in France. Mexico's Meat Production and Export Potentialities.

### By Area

Agricultural Development in Turkey: Effect on Products Competitive with U. S. Farm Exports, FAR No. 106, November 1957.

Mexico as a Market and Competitor for U. S. Agricultural Products, FAR No. 99, August 1957. A 60-page report on competition with and marketing of U. S. agricultural products in Mexico.

Argentina as a Competitor of United States in World Markets, FAR No. 101, October 1957. A 64-page report on Argentina competition as it affects the United States.

Technological Factors in the Expansion of Agricultural Production in West Europe, FAR No. 102, October 1957. A 54-page report on the advance of technology and the increase in productivity in West European agriculture.



Agricultural Developments in South Asia; Their Effects on U. S. Farm Exports,  
FAR No. 100, September 1957. A 44-page report on agricultural planning,  
progress, and trade outlook in South Asia.  
Competition in the Japanese Market for Agricultural Products, FAR No. 104,  
November 1957. A report on recent trends in Japan's agricultural trade,  
and the competition U. S. commodities face in Japan.

### In Progress

Agricultural Development in Iran, Iraq, and Sudan: Effect on Products Competitive with U. S. Farm Exports. Agricultural Development in Angola, Rhodesia, and British East Africa: Effect on Products Competitive with U. S. Farm Exports. Competitive Impact of Intra-Latin American Trade: I. Mexico and Central America. First in a series of competition reports on Latin America. The Agricultural Situation in Eastern Europe. Agricultural Production, Trade and Policy Developments in Communist China that Affect the Competitive Position of U. S. Farm Products in Foreign Markets. Agricultural Production, Trade and Policy Developments in Australia Affecting the Competitive Position of U. S. Farm Products in Foreign Markets. Soviet Agrarian Policy After Stalin. Canadian Agriculture: Its Competitive Position. Stabilization of Grain Production in Western Canada.







